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ABSTRACT

The Special Studies Subcommittee, conducting an inquiry into proprietary vocational schools, explored ways to limit the misuse of vocational training, to minimize the waste of government funds, and to correct the abuses of misleading advertising, unethical recruiting, and the acceptance of unqualified students. Statements, presented or submitted, covered the fields of education professions development, consumer protection, State administrators and supervisors of private schools, independent colleges and schools, the National Home Study Council, trade and technical schools, post secondary education, public administration, veterans, Federal aid legislation, and accreditation. The Federal Trade Commission has released an industry guide and launched a consumer education campaign to combat the problems of misrepresentations about demands for graduates, the value of training, government eligibility and accreditation, deceptive sales and advertising practices, unfair refund policies on the part of both nonprofit and proprietary vocational schools. From the letters, statements, and a staff paper entitled, "Private Vocational Schools--Their Emerging Role in Post Secondary Education," there was consensus of opinion regarding the need for Federal regulation of vocational schools, uniform accreditation standards, clearer and enforced delineations of authority in this area, and greater accountability on the part of the schools to ensure superior quality of education. (JB)

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PROPRIETARY VOCATIONAL SCHOOLS

FEB 07 1975

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON

GOVERNMENT OPERATIONS
HOUSE OF REPRESENTATIVES

NINETY-THIRD CONGRESS

SECOND SESSION

JULY 16, 17, 24, AND 25, 1974

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PROPRIETARY VOCATIONAL SCHOOLS

THURSDAY, JULY 16, 1974

House of Representatives,
Special Studies Subcommittee
of the Committee on Government Operations,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:30 a.m., in room 2247, Rayburn House Office Building, Hon. Floyd V. Hicks (chairman of the subcommittee) presiding.

Present: Representatives Floyd V. Hicks, John W. Wydler, Ralph S. Regula, and Joel Pritchard.

Also present: Joseph C. Luman, staff director; James L. Gyory, staff investigator; and Lawrence T. Graham, minority professional staff, Committee on Government Operations.

Mr. Hicks. The subcommittee will come to order.

The Special Studies Subcommittee today opens an inquiry into proprietary vocational schools. Federal involvement with these schools occurs through Federal recognition of accrediting agencies, providing funds for veterans education, insuring of student loans, and direct contracting with schools for training. Some schools are heavily dependent on the federally supported student; reports speak of as high as 90 percent of the student body in certain proprietary schools receiving Government support in one way or another. In addition, we are advised that in numbers of VA-supported students the top 10 schools are proprietary vocational schools.

Perhaps this is not as surprising as it initially appears, for schools that are operated for profit try to deliver useful training to their customers in an attractive package. Many Americans who have finished high school—and some with college experience—find that they do not have the skills that command higher salaries. Vocational training offers a way to obtain these skills and proprietary schools are often the most convenient, attractive, or readily available form of vocational training. The claimed advantage for these schools is that in order to make a profit they have to continually attract and satisfy their customers and this requires them to stay abreast of the latest trends in industry and offer a way to meet them.

On the other side of the coin is the danger that making money may become so important that it overshadows offering worthwhile training and that consumer fraud will become an ever-present possibility. It is clear that many Americans have been provided an opportunity to improve their station in life by the training they received from a profit-making vocational school. It is also clear, however, that others have been defrauded because they were misled about the quality or difficulty of training or the job opportunities that would follow from having this training. It is bad enough when a person is cheated out of his money. Those who cynically promise a future they cannot possibly deliver are cheating people of their hopes as well.

Our concern is how to limit the misuse of vocational training. We want to explore ways to minimize the waste of Government funds and to minimize as well the disappointments and frustrations that ensue when an individual's desire for self-improvement is exploited for the fast buck. We do not indict the entire proprietary school industry but only the elements and practices which unfairly take advantage of those who are trying to advance themselves.

In the course of the subcommittee's inquiry over the past months, we have been made aware that objectionable practices in the proprietary vocational school area also are found in the nonprofit schools. While recognizing that misleading advertising, unethical recruiting practices and acceptance of unqualified students can occur elsewhere, the fact is that by all accounts proprietary schools have more of these problems today. Of the complaints received by the Office of Education's staff which works with the accrediting commission, for example, almost 99 percent deal with proprietary schools. Some say that the public schools and private colleges, which enjoyed a seller's market in the sixties, are now beginning to scramble to fill their seats and some are adopting questionable practices. Nonetheless, it appears to us that the proprietary vocational school sector has been afflicted the most and for this reason we have chosen it as the point of concentration.

Several factors limit the Federal Government's role in the proprietary vocational school area. A major constraint is that education has largely been a responsibility of the States, and the Federal Government has been enjoined by the Congress time and again not to intervene into what might be termed "the quality of education." Thus, the VA can monitor whether a student attends classes but does not concern itself with how well the classes are taught. As for the States, how their responsibility for proprietary vocational education is carried out depends on the State. Licensing requirements in some States for proprietary schools are stringent and enforced. In other States, neither condition applies.

About a half dozen accrediting agencies have the mission of vouching for the quality of instruction in proprietary schools. The Federal Government has relied heavily upon accreditation in determining whether schools or courses will be eligible for veterans or for students using a federally insured loan. Questions arise about the extent to which the Government can properly rely on accreditation for protecting its students and the fairness of a system which tends to force schools to seek the services of a voluntary accrediting group in order to be eligible to accept publicly supported students.

We also have limitations on the effectiveness of the Federal Trade Commission. Many of the complaints are founded on the disparity between what is claimed in advertising or sales pitches and what is actually delivered. Since misrepresentation is an element of most of the fraudulent activities, the FTC has an important role to play. Except for their efforts in consumer education, however, the FTC acts after the fact. The Commission holds that it cannot proceed against nonprofit educational institutions even if they engage in practices which the Commission censors when profitmaking schools engage in them.

We plan in these hearings to explore these factors and determine how they might better be harnessed to protect students and to get more for the Federal tax dollar which supports them. We will be talking to representatives of the States, the Office of Education, the Federal Trade Commission, the Veterans' Administration, the properietary school accrediting groups, and scholars who have recently completed a study in this field. We are seeking ways to help the Government do a better job in protecting the student and the tax dollar whenever federally assisted students attend proprietary vocational schools.

The great variety of proprietary vocational training schools and courses makes generalization difficult in some areas and representation of the whole spectrum an impossibility. We have invited the accrediting agencies to testify because they can discuss schools which share some common characteristics. Other witnesses will assist in our examination of unaccredited schools. These hearings will involve discussions of unethical and illegal practices in proprietary education, practices we have been hearing about in a recent spate of press stories. The subcommittee realizes there is much more to proprietary education than these problems and that proprietary vocational education can point to many satisfied students. But something must be done about the abuses. We believe the accrediting agencies made the right choice in accepting our invitation to testify, for the reputable schools should be as concerned as anyone in trying to rid proprietary vocational education of its bad actors and bad practices.

Our first witnesses today are two gentlemen from California, the Honorable Alphonzo Bell and the Honorable Jerry Pettis.

STATEMENT OF HON. ALPHONZO BELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. BELL. Thank you, Mr. Chairman. I appreciate this opportunity to appear before your committee on this very important subject.

I would like to commend the committee for its attention to the apparent growing incidence of abuses involving proprietary trade schools. The Federal Government has, at least indirectly, substantially contributed both to the existence of and to the magnitude of this problem through such programs as student loans and the GI bill. I believe strongly, therefore, that we have an obligation to do something about it. We are dealing not merely with isolated instances of local fraud, appropriate for investigation by a district attorney, but with a national scandal of multimillion dollar proportions.

An illustrative example of these abuses occurred in my own city of Los Angeles.

The West Coast Trade Schools, a group of five proprietary vocational schools located in and around Los Angeles, closed its doors on 2 days notice in May of 1973, leaving hundreds of students holding the bag on worthless Government loans * * * and leaving at least $6 million of potentially worthless loan paper in the hands of unsuspecting financial institutions, mainly employee credit unions.

West Coast Trade Schools had participated in the guaranteed student loan program since 1967 without accreditation by any recognized accrediting agency. They did, however, have the approval of the California Bureau of School Approvals and the Veterans' Administration.

EDCO, Inc., a Los Angeles firm which is servicing west coast's loans for six of these credit unions, has informed my office that 80 percent of the alleged borrowers either cannot be located or have refused to pay their loans on the grounds that they never received the education they were promised.

An EDCO representative told my office that he has not found "any students who are satisfied. The only students who are paying, and they comprise the remaining 20 percent, are paying out of fear."

One student who attended school for only 8 days in January of 1973, received notice a year later that he owed $1,500 in repayment of a student loan.

Others did not even know that the piece of paper they were signing was a loan obligation.

I have a letter from a person who was led to believe he was filling in an enrollment application when he was actually signing a student loan note. He signed on a Friday and called the first thing Monday morning to cancel his application—and was assured there would be no problem. Imagine his reaction when, 2 years later, he was notified that payment on the loan he never knew he had was now due.

In a variation of "bait and switch" a woman was enticed by a help-wanted ad. She applied for the advertised job and was told it was no longer available—but a similar job would be available if she would just sign up for this handy training program. The next thing she knew, she owed the Government $1,500. I am focusing here, Mr. Chairman, on consumer protection aspects. Investigative reporting by Gene Ferguson of a Los Angeles radio station, KPOL, has uncovered other information pointing to possible criminal fraud.

Let me emphasize at this point that I believe post-secondary trade and technical schools are a beneficial element of our overall education system. They provide necessary instruction and training in areas not included in our traditional college and university curricula.

But we must come down hard on what I hope is only a minority of these schools that are misusing Government funds, "ripping off" their students, and discrediting an entire industry.

My concern is with these institutions—the schools which have violated the most minimal standards of decency and professional ethics—schools that have lured unsuspecting persons into training courses of dubious value through misleading claims and high-pressure sales tactics. These schools sign up students when there is virtually no possibility they will ever realize the glamorous career objective so eloquently and deceptively sold to them.

And tragically, the students so often attracted to these schools are among the most vulnerable of our citizens.

They are usually persons from low-income backgrounds seeking to realize the so-called "American dream." They are often our veterans. They are not asking for a handout. They are not snubbing the establishment. They are playing by the establishment's rules: work hard, study hard * * * get a good job and you will earn a decent salary. They reasonably believe that if a school is approved by the Federal Government under the student loan program, or the GI bill, it must be good.

Imagine their disillusionment when they discover that their government was used to pull the rug out from under them.

Mr. Chairman, I introduced a bill last December, together with my California colleague, Mr. Pettis, which I believe provides at least a starting point for doing something about this unconscionable situation.

In putting the bill together, we specifically rejected any idea of prohibiting Federal program eligibility for proprietary schools altogether. And we rejected the approach proposed by some, to create a method of direct Federal approval or accreditation, as dangerously intrusive into what should remain non-Federal areas.

Thus, we opt for continuation of the present two-step process whereby the agencies of the Federal Government rely on the expertise of non-Federal bodies of approval or accreditation—but with much more stringent standards and supervisory responsibilities.

We inserted in the bill a somewhat modified "shopping list" of result-oriented standards developed by the Education Commission of the States. We would require the Secretary of HEW to develop new criteria based on those in the bill.

One problem that has continued to worry us is the equity of placing what amount to "consumer protection" responsibilities on what are essentially education-oriented entities. The accreditation group that might be able, for example, to evaluate a teacher's qualifications might not be as able to evaluate a school's financial management capabilities.

Therefore, I will propose an amendment to our bill when it comes up in the Education and Labor Committee which would require that all proprietary schools participating in the student loan program be bonded.

It is my understanding that bonding is a routine requirement in other Government loan programs. It would constitute a self-policing mechanism involving little intrusion by the Federal Government.

Although our bill is presently pending before the Special Education Subcommittee, which has jurisdiction over programs administered by the Office of Education, it is drafted to apply to all Federal programs related to student assistance, including the GI bill and social security survivors' benefits.

Thus, your committee would have particular expertise in unraveling the appropriate interagency relationships involved here.

Thank you, Mr. Chairman.

Mr. **Hicks.** Thank you, Mr. Bell.

Of course, your expertise and interest and contribution to education and your work on the Education Committee is well known to all of the members of the committee.

What kind of interest is being shown in your bill?

Mr. **Bell.** There is widespread interest in this bill. As you may or may not know, there is an investigation going on in Los Angeles right now into some of the schools that we are having trouble with and there is a great deal of interest, Mr. Chairman, in this. I think it is something we have to really seriously consider.

When you consider the fact that we, on the one hand, are encouraging people to get jobs—people in the poverty area—encouraging them to go to work, to find jobs and that they have a great deal of hope and then that, on the other hand, they get themselves involved, through inadvertence on the part of the Federal Government into programs and then find out they are washed out for no fault of their own——

Mr. HICKS. Are you able to stir any interest on your Education Committee that has jurisdiction?

Mr. BELL. Yes; we have. We are beginning Thursday with hearings in Jim O'Hara's subcommittee.

Mr. HICKS. Mr. Pettis, do you have anything to say?

STATEMENT OF HON. JERRY L. PETTIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. PETTIS. I think one of the things that has been helpful to our legislation has been quite accidental, a great deal of national publicity. The Reader's Digest carried quite a story and as a result of their publicity, the Washington Post, the Los Angeles Times, the Boston Globe, a lot of radio and other media, young people and others have had their attention called to this problem.

I think they are more wary than they were 2 or 3 years ago, but we still need some legislation to protect some of these people who really do know better or we are going to have these tragedies occurring forever and ever but if it is your wish, I would like to make a brief statement and then maybe we could go ahead with some of the proposed solutions to the problem.

Mr. Chairman, members of the subcommittee. As my distinguished colleague, Mr. Bell, has just pointed out, the scope of consumer fraud abuses by proprietary schools is neither isolated, nor a nickel and dime operation. It is a nationwide problem involving millions of dollars. And, through various Federal student assistance programs, the Government finds itself right in the middle of the entire mess.

The problem was first brought to my attention when a number of young people attending Riverside University in Riverside, Calif., found themselves in financial and academic difficulty when the school became insolvent in 1970 and was closed down by the State of California.

Many of the students attending this institution were participating in various Federal student assistance programs. When the school went under, they found themselves with no, or very few, transferable credits, but with the obligation to repay the entire amount of their student loans. Not surprisingly, many refused to honor their commitments to pay for something they hadn't received. The private loan institutions who advanced the money—also in good faith—turned their claims over to the Office of Education for collection. Settlement attempts are still underway.

Riverside University was a small, private institution, originally accredited as a business school. Then the school's curriculum was enlarged and additional courses and degrees offered. Despite the fact that the Western Association of Schools and Colleges rejected its application three times, Riverside University publicly promoted its entire curriculum as "accredited"—conveniently making no mention that its accreditation applied only to its business college.

Although school officials were well aware that only business school students were eligible for Federal assistance, a student taking another curriculum was simply registered in the business school and the application made on that basis.

In another unscrupulous practice, the school submitted loan applications months in advance. One student was accepted in January 1971 and then applied for a loan, which was approved. The private lending institution sent the loan amount to the school in February, even though the student was not planning to register until the following November and, in actuality, neither enrolled nor ever attended the school.

This is only one in a collection of these horror stories. In a series of articles which appeared in the Washington Post, reporter Eric Wentworth cited others, including a North Carolina farmboy with a sixth-grade education who was one of the 10,000 victims of the Citizens Training Service, Inc. He had been assured that the courses would get him a civil service job. A 71-year-old woman already past normal civil service retirement was another victim of this same outfit.

Mr. Chairman, the laws now on the books dealing with consumer fraud obviously are not fully adequate to meet the problems which unsuspecting students encounter. The bill Mr. Bell and I introduced is designed to fill in the gaps in our legal system and prevent a recurrence of Riverside University, West Coast Trade School, or Citizens Training Service fiascos. It is very encouraging that you are taking a careful look into this serious student financial aid ripoff. I hope the others who appear before you will address themselves to the human element in this matter and not just focus on narrow legalisms.

Thank you.

Mr. HICKS. Mr. Pettis, I wonder if you would separate out your education background from your very distinguished background for the record here, so that the people who happen to look at this record will know you speak from practical experience, as well as representing your constituents.

Mr. PETTIS. Thank you, Mr. Chairman. I had not planned to do that but inasmuch as you have asked, I will.

I have spent many years as a university professor, chairman of the board of one of California's good universities, Loma Linda University, and I think that the operations that I have described this morning that come under the heading of education are a far cry from what the good schools and the good universities in California and other States in the Union are sponsoring and it seems strange to me that the Government seems to have a sort of multifaceted approach to this business of education.

For example, a student who wants to take up flying as a career: Now, the VA is very tough on the flying schools which it allows to give training to a young man or a young woman who wants to pursue that course of action; it insists that that school must pass muster in a variety of ways; and it sends out people who are specialists in aviation to make sure that those schools qualify.

Yet the same organization will turn around and just face the other way when students will apply for educational benefits which go to outfits like this Riverside University.

I see no reason why we cannot be just as tough all the way around as we are in some areas of education which lead to vocational careers or whatever.

For example, to turn to another subject for a moment, we have no qualms about giving everybody who applies for a medical degree a board examination, which is national in nature, and every graduate of a medical school has to take one or he is not licensed to practice medicine.

We find the same thing with hospitals. Hospitals have to pass muster or they cannot be listed with the national accrediting organization for hospitals.

Now, there are some fly-by-night hospitals, proprietary types, and they get in the same type of trouble that these schools do, and all of us have this kind of hospital somewhere in our congressional district, and they are not the accredited hospitals, and people are told to beware of getting into an institution like that.

What I am saying is that we have to be careful of the young people trying to get an education, whether it is one kind of training or another, from these fly-by-night outfits or these shrewd manipulators and con artists whose interest is only in Federal money for tuition or the money that these students get from some other place.

They are not interested in the students nor are they interested in giving these students an education. I hope we do something to rid ourselves, in this society of ours, from this curse.

Mr. HICKS. Mr. Luman?

Mr. LUMAN. Mr. Pettis, you mentioned bonding the schools. What effect do you think that would have had in the West Coast Trade School case, if the schools would have been required to be bonded?

Mr. BELL. I mentioned bonding.

I think that would have had a very beneficial effect. I do not think it would have happened. I do not think the West Coast Trade Schools could have been bonded under the circumstances.

They started and then went out of business. That would at least show something about their financial ability, and I think you have to come to this responsibility aspect in two parts: One is the actual job they are going to do, and the other is whether they can financially stand the pressure in doing the job.

You have to look at the financial side as well as the other in bonding.

Mr. PETTIS. If the gentleman would yield, I would like to make an observation.

I agree with Congressman Bell, that bonding would have taken care of this but this is just a way of having somebody else be responsible for what you ought to do because obviously, the bonding company will take a hard look at that organization and it will not get the bond but it does not really settle once and for all any other issue in the financial stability of the organization.

Mr. HICKS. That is a pretty good issue.

Mr. **Pettis.** It is enough but there are other aspects to this whole thing other than just finance and so I agree with Congressman Bell, bonding would spare us the fiasco of these trade schools that we have talked about.

Mr. **Hicks.** What about Riverside?

Mr. **Pettis.** It would have spared us that, too; but let me tell you there was a lot more to Riverside University than just the money factor and that is why I bring up the subject.

Mr. **Luman.** Another problem we have had is the traditional reluctance of the Federal Government to get involved in quality of education, the classroom size, teaching techniques, what have you.

Do you think we can regulate from the Federal level the business side of proprietary education sales practices, the management of the schools, perhaps the refund policy, without treading into the area of Federal intervention in the field of education?

Mr. **Bell.** This is kind of a touchy problem because I do not like to see the Federal Government step into a position where it controls the schools or the accreditation.

I think you have to work pretty much through your State organizations, through the State would be a better way to do it, and institutions within the State, with some direction from the Federal Government in the ways in which we all know they can direct.

Mr. **Hicks.** Does California do anything?

Mr. **Bell.** California has not been doing this because the Federal Government has operated like it is just turning its back on the situation, but with some interest and some influence, I think California could be established as an accreditation program of some kind.

I do not say that accreditation is the whole answer but they could, through other organizations within the State, develop some kind of eligibility accreditation program.

Mr. **Pettis.** Mr. Chairman, back in the early history of education, professional and otherwise, I am sure the members of this committee will remember that things got so bad that the Federal Government did have to take some steps.

For example, I can remember reading a great deal about the diploma mills of the early 20th century in this country, where you could become a doctor with $100 in 6 weeks, in some sanatorium some place.

Well, I hope we do not have to come to a situation like that before we step in and stop it. Now, at that time, the Federal Government financed a study of the medical educational system in this country and as a result of that report, which was paid for by the Federal Government, we got rid of the medical diploma mills.

I do not think that interfered with the rights of the States to license physicians which still prevails today, but somebody had to set something in motion to check what was a national disgrace, because no one in those days knew whether they were going to a doctor who had anything but a diploma he bought with $100 or whether he was really an accredited doctor, until the Federal Government took the first steps in checking up on the diploma school mess of the early days.

Now, it may be that we will have to do something like this and still not tread on States rights of licensing.

We did this in a way when we passed the Clean Air Act. We said to the States, we are going to set some standards here. If the States wanted to go beyond that, fine. In our own case in California, our standards were higher than those of the Federal Clean Air Act, so we were exempt but the 49 States whose standards were not that high had some work to do.

I am not suggesting necessarily that is the way we ought to approach this problem but we do have precedent for stepping in where States are not doing a good job. We have done this in the welfare field. We have done it in other areas and said to the States; OK, this is your province but if you do not do a minimum amount of work here, these are the Federal standards.

Mr. **Bell**. Mr. Chairman, I might respectfully disagree slightly with my colleague here. I am fearful of the Federal Government moving into this to a point where they are actively directing the situation.

I am a little bit more inclined to have the States handle this, and I think the States can be geared to handle it if the Federal Government will give some guidelines and some directions to help in that aspect and show greater interest. But I think that is the greatest amount of interest or interference we should have from the Federal Government, if you want to call it that.

I would like to have it in the form of pointing the way. I think the States can do it. I think they can be geared to doing this. It just takes a little bit of interest from the Federal Government.

The trouble has been that the Federal Government has acted like there was no problem and that has helped lead to the situation we have now.

Mr. **Hicks**. Are you gentlemen talking primarily about residential schools now or about correspondence schools also?

Mr. **Bell**. We are talking primarily about in-residence schools, although I suppose the same principle should apply to correspondence schools, too. I was thinking in terms of regular schools.

My bill, of course, does cover correspondence schools, too.

Mr. **Pettis**. I do not disagree with my colleague, Mr. Chairman. Maybe some of the illustrations I used to point out what we have done historically might suggest that I am trying to get the Government to intervene in what are States' rights. I am not trying to do that.

I am pointing out that historically we have solved some very serious problems by having the Government take cognizance of these problems when the State has not.

Mr. **Hicks**. We will hear from Mr. Regula at this point.

Mr. **Regula**. What would you think of some type of Federal legislation that said that no State or no institution could receive Federal funds directly or indirectly unless it were accredited or licensed by the State and then put into the law certain standards that the State would have to adopt in its licensing procedure?

Mr. **Bell**. I do not think licensing alone would be adequate, but I think we are on the border there, of being close to a solution. We definitely need some kind of standardization program, which is essentially what my bill does.

Mr. **Regula**. Does your bill set up standards?

Mr. **Bell**. That is right.

Mr. Regula. That is, the States must comply with their accreditation procedure in order to get access to Federal funds?

Mr. Bell. Right.

Mr. Pettis. One of the reasons the VA gives for being very harsh on a school which offers aviation courses is that the Federal Government has ultimate licensure of pilots and so on.

That is not a State license and yet they will look the other way and still give Federal aid to schools that are not directly under the control of the Federal Government when it comes to licensing.

Mr. Hicks. Mr. Pritchard?

Mr. Pritchard. A couple of questions.

It seems to me that there is more danger in the vocational field than there is, say, in a law school. The student is going to a law school or a medical school or these types of schools. Usually the student in a law or medical school is sophisticated or the people he is associated with know enough and the word travels pretty fast.

When you get into some of these vocational schools there, in a big metropolitan area, they can operate, grab and run; and it is awfully hard.

Mr. Bell. In addition to that, some of the courses they teach are sort of hard to pin down specifically—like cosmetics, things of this kind. There are various things that can change and turn over. Also, instructors may teach several different courses in completely different areas.

Mr. Pritchard. The only thing that bothers me is the advertising that goes on with these schools. In fact, do not some of these schools put out false advertising; but when you get right down to it, the picture they paint is false. The words they say are true and you cannot nail them on it but when you get done, they have implied something to somebody not sophisticated that really is not true and yet you cannot handle them.

Mr. Bell. Yes, I think there should be some kind of guidelines and regulations on advertising, limiting what they can say and the truisms that they must stick to.

I think what you are putting your finger on there is a very important part of it, the incorrect advertising. The concentration of the financial resources and the personnel of many of these schools is in advertising and not in teaching.

Mr. Pritchard. Sure, they are selling.

Mr. Bell. To get students there, get bodies in the class—that is what they are trying to do, above all else. I think that is important to see.

Mr. Pettis. It is also true there is fraud in some of this. This Riverside University which had a very limited accreditation used that to handle this whole Christmas tree of offering and that is absolute fraud, to run a student through a business school in order to get some other kind of education.

Mr. Pritchard. For instance, I had a lady working in a company that I ran and her husband took the LaSalle accounting course and worked 4 years to graduate, working nights and going through this school, which was accredited. Everything was right as far as the school and the course were concerned, but they never told him he could not get a practice in the State of Washington because there is a State law that disallows it. We had some accountants down there in our State legislature, three of them, and they put a bill through that said you had to go to either a university or if you went to a night school or a correspondence school, it had to be a State correspondence school, and there was this fellow that spent 4 years. I went over it very carefully to see if there was fraud. He had to move and it was to say the least, a bad experience for him.

Mr. BELL. The Federal Government is doing some work in developing a method of studying different types of advertising, and I think that we have to do considerable research on the background of just what kind of advertising would be proper. The Federal Government has already started on this.

Mr. PRITCHARD. I think it is terribly important we do not impede the growth of legitimate vocational schools and correspondence schools or give a black eye to all of the correspondence schools.

This country is full of people who have made great progress in their lives because they took night school and correspondence school courses and I do not want to impede that growth. But the person has got to get the straight dope of what they are getting and what they can do when they are through. I suppose once Federal dollars came in, it really ballooned this problem.

Mr. HICKS. What percentage, in your opinion, are legitimate and how many are on the ragged edge?

Mr. BELL. Mr. Chairman, it would be very difficult to judge that. Some cities are worse than others. Some schools in some areas are worse than others.

I could not give you a statistical figure on that right now.

Mr. HICKS. Are there enough so that you could expect that the legitimate ones should police the industry?

Mr. BELL. Actually, there is plenty of this going on and, incidentally, from organizations that are well known—organizations that do other things and also have schools—corporations.

Mr. HICKS. That are trying?

Mr. BELL. That are trying to take advantage of the existing situation.

Mr. HICKS. How can we help those people to police this industry?

Mr. BELL. One of the things we have been talking about, Mr. Pettis and I, is to improve the standards and the requirements.

Mr. HICKS. Are you talking about accreditation?

Mr. BELL. The answer is not a simple one, Mr. Chairman. Accreditation by itself is not necessarily the answer.

I believe we need a combination of standards, guidelines, accreditation, and also bonding. I think a combination of these things will make it work.

I do not think any one thing alone is the answer.

Mr. HICKS. How do you reach a standard after you set the standard, if you cannot do it by accreditation?

Is not that the ultimate in a university, Mr. Pettis?

Mr. PETTIS. That is true. Private education in small schools, many of them are the finest schools in the country, are accredited, and doing a great job but they are going broke so you see, education is a two-sided problem.

One is the financial aspect of the university or trade school and the other is the educational aspect. You can have schools which are academically tremendous and from a financial standpoint are on the rocks because of salaries and as you know, student bodies are decreasing these days and that is one of the reasons why these sharp operators come along because they offer something for less, they offer bargain basement education. That is another thing we did talk about this morning and this does play into the hands of these sharpies.

Mr. Bell. Mr. Chairman, our bill provides for a study into what the answer to this may be relative to accreditation and a combination of other things, and I think you have to do this—take this approach—so that you hit the mark. I do not think you are going to hit it by any one thing to the exclusion of others.

Mr. Hicks. Gentlemen, thank you very much.

Mr. Pettis. Thank you, Mr. Chairman.

Mr. Bell. Thank you, Mr. Chairman.

Mr. Hicks. Mrs. Bernstein, you are here on behalf of the Federal Trade Commission?

STATEMENT OF JOAN Z. BERNSTEIN, DEPUTY DIRECTOR, BUREAU OF CONSUMER PROTECTION, FEDERAL TRADE COMMISSION, ON BEHALF OF J. THOMAS ROSCH, DIRECTOR; ACCOMPANIED BY A. HERBERT RESSING, ASSISTANT DIRECTOR FOR CONSUMER EDUCATION; STEVEN D. NEWBURG-RINN, STAFF ATTORNEY, DIVISION OF MARKETING PRACTICES, BUREAU OF CONSUMER PROTECTION; ROBERT BADAL, STAFF ATTORNEY, DIVISION OF SPECIAL PROJECTS, BUREAU OF CONSUMER PROTECTION; AND LAWRENCE FOX, STAFF ATTORNEY, OFFICE OF THE ASSISTANT EXECUTIVE DIRECTOR FOR REGIONAL OPERATIONS

Mrs. Bernstein. I am Joan Bernstein, Deputy Director of the Bureau of Consumer Protection of the Federal Trade Commission.

Actually, I am substituting for the Director, Mr. J. Thomas Rosch, who was very sorry indeed to be unable to be with you this morning. We will appreciate your accepting us as substitutes.

This is Mr. Larry Fox; Mr. Steve Newburg-Rinn; Mr. Robert Badal; and Mr. Herbert Ressing, behind us, in charge of our consumer education program. All, except for Mr. Fox, are members of the staff of the Bureau of Consumer Protection. Mr. Fox represents that part of our organization that deals with the regional offices.

Our testimony today will cover the actions which the Commission has taken and is taking to discourage false, unfair, and deceptive practices in this industry; the Commission's consumer education efforts in this area; and the status of rulemaking activity with respect to this industry. The views which I express are those of the staff of the Commission's Bureau of Consumer Protection and do not necessarily represent the opinions of the Commission or of any Commissioner.

The Commission has long devoted substantial resources to the problems present in this industry, and it continues to do so. There are compelling human and societal reasons for this commitment.

Most students take vocational courses to get jobs, not for potential intellectual stimulation. Our society has always been attracted to the Horatio Alger story, and vocational school students look to their education as a means of obtaining upward social and economic mobility. When vocational education provides to the unskilled good training in a vocation for which there is a demand, it does in fact serve this function insofar as the student is able to obtain a more prestigious and higher paying job than would have been possible without the training.

Taking a vocational course is different than other kinds of consumption. Substantially more is paid for vocational courses than for most other forms of consumption. In purely economic terms, it has been estimated that approximately 10,000 proprietary vocational schools have an aggregate annual enrollment of over 3¼ million students with an aggregate annual income of over $2.5 billion. Correspondence schools alone are estimated to have an annual enrollment of over 2,100,000 students with an average annual income of over $1.7 billion. It should be noted that while these figures would seem to indicate that the average tuition paid is about $800,[1] many of the most highly advertised and sold courses cost between $2,000 and $3,000. People do not make this sort of economic investment in something that requires hard work and that does not provide the pleasure of most other forms of consumption without that end product—jobs and economic mobility—firmly in mind.

Furthermore, there may be significant opportunity costs to the student who chooses a particular vocational course, costs which the student should only be expected to bear if jobs of the sort the student anticipated are available upon completing the course. The student taking one particular vocational course must forgo taking others that potentially could yield a better return. To take the course the student may have to quit present employment or pass up present job opportunities in the hope of achieving a better job on completing the course.

In addition, there is an important psychological component, and cost, involved in taking a particular vocational course. The student may be willing to try once to increase his or her social and economic mobility through education. The student's personal hopes and aspirations are heavily tied up in the attempt. If the student has worked hard and spent considerable sums in the attempt, only to have his or her hopes smashed when the job sought is not there upon completion of the course, it is unlikely that the student will be willing to invest the time and effort, and make the financial and psychological sacrifices to try again. Also, the vocational school student, often having family responsibilities, may just not be in a position to take the time out from fulfilling those responsibilities to try again. Thus, if the student is unable to find the job for which the training was obtained, the losses of time, money, and job opportunities are in many instances irretrievable, and the damage to the student's belief that the system can work to provide economic mobility may be irreparable.

The importance to the student in either getting or not getting the job is mirrored in the importance to society that the training be of value to the student. There is a substantial public interest in good vocational education, quite apart from the foregoing human considerations. Vocational education is supported by many Federal and State programs. Veterans may receive benefits covering all or a portion of the tuition and living costs related to taking vocational courses. Vocational school students who attend eligible schools may obtain federally insured student loans. Under this program the Federal Government guarantees that the loan will be repaid to the lender even if the student defaults. These and other Federal financial assistance programs exist because Federal policy is to help people achieve economic mobility. Moreover, encouraging vocational education as a means of maximizing individual productivity may be in the public economic interest. When graduates from vocational schools are unable to get the jobs for which they trained, the public interest is injured. In short, when students are misled or deceived, or treated unfairly, society, as well as the individual, suffers.

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[1] Since the estimates did not take into account the large increases in prices of the last few years, these figures may be understated.

The Federal Trade Commission is entrusted with the job of preventing "unfair or deceptive acts or practices in commerce * * *" [1] This charge has resulted in frequent Commission action with respect to private vocational schools. Obviously, not all vocational schools engage in deceptive or unfair practices. Unfortunately, many schools do engage in questionable practices, some of which have resulted in enforcement activity by the Commission. Some of the principal practices which the Commission has encountered are as follows:

(1) MISREPRESENTATIONS ABOUT DEMAND FOR GRADUATES

Since students take vocational courses to get jobs, many deceptive practices relate to statements about employer demand for graduates of the course. While most schools, even the disreputable, now know that they probably violate the law by guaranteeing employment, it is not necessary actually to guarantee employment to mislead. Open-ended statements about industry demand and industry connections; placement of ads in "help wanted" columns; statements about placements with prestigious companies; and references to atypical placements can also mislead. Schools offering a placement service may also exaggerate its function or capacity. All of these variants of demand representations may be misleading unless they reflect the actual experience of graduates of the particular school.

(2) OTHER MISREPRESENTATIONS ABOUT THE VALUE OF TRAINING

A school may misrepresent the salaries which its graduates earn or have the potential for earning; or offer training to prepare students for fields in which employers prefer to do their own training; or provide training which employers consider to be of little value; or misrepresent that a certain level of education is not necessary or helpful to its graduates in getting jobs; or offer training that is not of sufficient quality to prepare the school's graduates to handle the jobs for which they obtained training; or indicate that its course objectives are one type of job when in fact those graduates of the school who get jobs get ones that are less prestigious and with less salary than the stated course objectives; or misrepresent that its training is adequate to prepare students for employment when, in fact, only actual experience with the equipment is adequate.

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[1] Section 5, Federal Trade Commission Act, 15 U.S.C. § 45(a).

(3) UNFAIR OR DECEPTIVE SALES PRACTICES

Salespersons may say or imply that they are trained vocational counselors able to give disinterested career advice when this is not, in fact, the case; or they may misrepresent the school's enrollment qualifications to give the impression that the student is especially well-qualified or likely to succeed in the field for which the school offers training. Also, a school may use negative selling, that is, make prospective students "prove" to the salesperson that they should be admitted to the school. This practice misleads by implying much stricter enrollment qualifications than the school may actually have and is also unfair because it disarms the student, decreasing the likelihood that the student will ask the necessary searching questions about the school and its program.

(4) MISREPRESENTATIONS ABOUT GOVERNMENT ELIGIBILITY OR ACCREDITATION

Schools sometimes emphasize as a selling tool that they are eligible to participate under various Government programs, such as the federally insured student loan program or the education programs for veterans. Prospective students generally assume that such eligibility means that the Government has checked the school, found the training offered to be satisfactory and that graduates of the course get jobs. In fact, eligibility under these programs does not mean that the Government has checked out the schools, and certainly does not mean that the student is guaranteed a job.

The fact of accreditation is also sometimes misrepresented as a selling tool. A school may say that it is accredited when it turns out its "accreditation" is from a "dummy" organization. Even schools accredited by legitimate accrediting agencies may attach exaggerated significance to accreditation. Accreditation does not guarantee that a school has no consumer protection problems, that graduates of every accredited school will get jobs, or that every school and every program is the right one for every student. If the accreditation process had solved all the consumer protection problems presented by proprietary schools, there would obviously be no need for us to be here today.

(5) UNFAIR REFUND POLICIES

Some schools have refund policies which allow them to retain what may be disproportionately large and unfair sums when students withdraw or are academically terminated from the course.[1]

(6) FAILURE TO MAKE ESSENTIAL DISCLOSURES

One further type of deceptive or unfair practice involves the failure to say something rather than the doing or saying of something This silence can be quite injurious to the student. The student may assume from the offering of the course that taking the course will lead to a job. In fact, this may not be the case. Potential students need to receive information from the school about the school's performance in order to make reasoned choices.

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[1] On May 2, 1972, the Commission adopted a proposed statement of enforcement policy on cancellation and refund policies of private schools, which called for proprietary schools to adopt what is in essence a pro rata refund policy.

(7) ADVERTISING WITHOUT A REASONABLE BASIS

We believe that it is also unfair and possibly deceptive for a school to represent either explicitly or implicitly that the demand for its graduates is great when it does not have relevant placement information, that is, a reasonable basis for such claims. Indeed, it is unfair and deceptive for a school to make any representation or claim in its advertising for which it does not have a reasonable basis.

The list set forth above is intended to highlight some of the major problem areas and is by no means all-inclusive. As I stated at the outset, the Federal Trade Commission has long devoted a significant portion of its time and resources to remedying these and other deceptive and unfair practices in the vocational school industry. The Commission recently has been engaged in a four-part program designed to increase its effectiveness in this area. The program involves (1) the promulgation of industry guides; (2) a consumer education campaign; (3) litigation involving restitution; and (4) increased efforts at Federal-Federal and Federal-State cooperation and coordination.

INDUSTRY GUIDES

In May 1972, the Commission issued its "Guides for Private Vocational and Home Study Schools." These guides were an attempt to let the vocational school industry know what practices utilized by the industry were, in the Commission's opinion, unfair or deceptive acts or practices. Many of the deceptive or unfair practices outlined above were proscribed by the guides. In May 1972, the Commission also promulgated its "Proposed Statement of Enforcement Policy on Cancellation and Refund Practices of Private Schools," referred to above.

CONSUMER EDUCATION CAMPAIGN

In August 1973, the Commission launched its first multimedia consumer education campaign. The purpose of the campaign was to help consumers help themselves by making them wary of potential deceptive practices in the vocational school industry. The campaign included preparation, production and distribution of radio and television spots, bus posters, and a "counselor's kit" intended for school counselors and other consumer education multipliers. A guidebook, which was the major consumer brochure, used modern and lively graphics and advertising techniques to get and maintain the prospective student's interest. Mr. Chairman, we request that a copy of this brochure be printed in the record.

[The material referred to follows:]

Mrs. **Bernstein**. In the 9 months after the inception of the consumer education program, staff estimates that 94,500 copies of this brochure have been distributed to the public. The bus posters prepared by staff were utilized in the buses of 32 major metropolitan areas. The radio and television spots, which, incidentally, received the endorsement of the advertising council, utilized famous personalities such as Raymond Burr and Della Reese, told students about the guidebook and where to get it, and in some instances suggested courses of action for prospective students to take. Staff estimates that we have received approximately $6 million of free television and radio advertising since last August; 69,500 copies of the counselors' kit have also been distributed.

LITIGATION

In the period since January 1, 1970, the Commission has issued 25 complaints or proposed complaints dealing with the practices of vocational schools where the Commission had reason to believe that a violation of the Federal Trade Commission Act had occurred. The Commission's staff is presently litigating four major cases in the area. In each of these cases staff has alleged that the institutions involved have unfairly retained sums obtained from thousands of students through use of various unfair and deceptive practices; the complaint in each case seeks to have the institutions involved provide restitution to students who were subject to the unfair practices and who were unable to obtain employment in the jobs for which training was obtained. All of these schools are accredited. Three of the cases involve schools of resident training with many locations nationwide; the fourth involves a large correspondence school. Many other cases are presently in the proposed complaint stage or are under investigation. In addition, the Commission has provisionally accepted a consent agreement from another large correspondence school that would involve payment of restitution to past students in the event that the agreement is violated, in addition to proscribing various deceptive practices.

FEDERAL/STATE COOPERATION AND COORDINATION

The Commission has authorized its staff to work informally in a number of ways to help alleviate the problems in this area. This has taken the form, among others, of Bureau participation in the Subcommittee on Consumer Protection in Education of the Federal Interagency Committee on Education. Staff has also worked with State and Federal officials where appropriate with respect to problems in their separate jurisdictions. The Commission has supported passage of the Educational Commission of the States' Model Post Secondary Educational Authorization Act, and stated its belief that this legislation, when combined with comprehensive regulations and an effective State regulatory body, will be a significant step toward the goal of preventing or correcting abuses in the vocational school industry.

No one of these steps will by itself solve all of the consumer protection problems raised by the practices of some members of the vocational school industry. It is still too early for us to make final judgment of the total effectiveness of our vocational school program. The guides have been somewhat effective although they do not have the force of law. Some States and associations have used the guides as the cornerstone of their own regulations. Our efforts to evaluate the effectiveness of the consumer education campaign are still not complete, and its overall effect may increase over time if the consumer education multipliers continue to use the materials provided. As to the litigation component, none of the restitution cases has yet been completed or decided by the Commission. Staff will also continue to work with other agencies.

Staff is also considering that a fifth component be added to the vocational school program—promulgation of a binding trade regulation rule having the force of law.

While we obviously hope that our vocational school program will have a significant effect in eliminating deceptive and unfair practices from the vocational school industry, I do not believe that it can solve all problems. Even in the case of trade regulation rules, its law enforcement authority comes into play only after the rule has been violated. Enforcement may require long and complicated litigated proceedings. We have no authority to deny or suspend eligibility to participate in government programs. Thus, even when we have proceedings as to a particular institution, that institution or its students may still be eligible to receive, and may continue to receive, Federal funds.

In short, the funding or approving agencies may often be in a better position than the Commission is to prevent violations before they occur. They are, more specifically, in a position to reduce both governmental and individual losses by suspending eligibility if an institution is engaging in unfair or deceptive trade practices.

Such action, coupled with continued vigorous and vigilant law enforcement activity at the Commission, can, in our judgment, go a long way toward insuring that the peculiarly high individual and societal interests which are at stake in this industry are fully served.

I should add our testimony, todays, represents the views of the staff and not that of the Commission or any of the individual Commissioners.

I use that disclaimer because we are much freer to answer your questions and not create problems for the Commission.

Thank you, gentlemen. We are now available to answer questions.

Mr. HICKS. Mr. Pritchard?

Mr. PRITCHARD. How long has your agency been charged with the responsibility of ferreting out improper practices and shortcomings in this area?

Mrs. BERNSTEIN. We have a very broad statute and it goes back as far as 1914 in terms of unfair and deceptive practices.

However, I would limit that by saying there was some problem where it involved consumers in the early years, because the concept was that only "competitors" were protected from unfair or deceptive vis-a-vis a competitor so one would have to date it to about 1938 with the passage of the Wheeler-Lea amendments that we were able to protect consumers directly against unfair acts or practices as well.

Mr. PRITCHARD. From the testimony and the words I get around the country, you have not been really getting the job done, have you?

Mrs. BERNSTEIN. Well, we have been in the area for a long time in terms of attempting to deal with it; however, we are limited. There are certain limitations on our jurisdiction, not the least of which, of course, is that we are not a funding organization. We have actually no authority over which schools receive funding from the VA, for example, or from the Office of Education, to receive an insured loan.

There are those who think that without the real clout of controlling funding, we will never be able to get the job done.

Our approach has been to rather move in the direction of disclosures, primarily, of letting people know where there are jobs in that area, for example.

Mr. PRITCHARD. Have you sent up any legislation or did you bring forth any legislation that would have given you either more clout or some type of an answer to this problem?

Mrs. BERNSTEIN. Well, we have not sent a request for legislation at the moment. We have, however, worked with the Education Commission of the States to develop a major piece of model State legislation which perhaps would deal with some of these problems in a comprehensive way, leaving the questions of quality of education, for example, in the States, and working through the States with our expertise in unfair and deceptive practices.

Mr. PRITCHARD. You say there has been a model?

Mrs. BERNSTEIN. Yes; there has been.

Mr. PRITCHARD. When was that?

Mrs. BERNSTEIN. Newburg-Rinn attended a convention and could speak to the model legislation which we supported and contributed to.

Mr. NEWBURG-RINN. The Education Commission of the States last June adopted model State legislation for postsecondary education. It has been sent to all of the various State education officials.

I understand it has been adopted in the State of Montana presently; and is under consideration in the legislature of the State of Washington. Tennessee has adopted a portion of it, which we have not gotten a copy of yet.

We hope and the Commission has taken a position that this legislation could go a long way toward correcting the abuses. The institutions are there at the State level and when the States are able to regulate it, we do not have the resources to look after 10,000 schools.

Mr. PRITCHARD. I realize that and I guess what I am getting around to, this is not a national disaster but it is certainly a national disgrace.

It has been going on, particularly the last 5 years, and I guess I am sort of searching around for who has been ringing the bell effectively, and what has been done with 10,000 schools

It is hard for me to believe that bringing complaints against 25 or 375 is really what was needed and I guess I am trying not to blame you people for what has happened, but I am trying to find out if you were able to do the job: Who offered legislation or who stepped forward or where is it this job was not done?

Mrs. BERNSTEIN. I think for the reasons you stated, for those reasons we launched what was for us a very massive program in 1972, I suppose, in addition to bringing major cases against major schools, which, in addition to attacking the more conventional kinds of abuses, advertising abuses, also will require, when they are finally litigated, restitution for those students who were ripped off.

Mr. **Pritchard.** In most of these cases, there is not enough money, the promoters of these things, when you finally get down and you go to the corporate entity and you find there is not enough money to pay off the injured parties?

Mrs. **Bernstein.** Often that is the case. However, we are also working toward a requirement for a refund provision, either through the legislation that was discussed this morning or by various kinds of criteria, where a school would be required to have a certain kind of refund program that would work ahead of time and if you entered the school, took two lessons and decided for some reason or other—maybe there were not any jobs—or you were oversold, or for whatever reason, you could get out from under, get your money back and not end up with a kind of nothing paid for by the Federal Government for an education course you never took.

So, we believe that a very strict pro-rata refund policy may go a very long way, if finally adopted, toward correcting very serious abuses.

Mr. **Pritchard.** I have no further questions.

Mr. **Hicks.** Mrs. Bernstein, do you have a portion of your organization devoted just to trade schools or vocational schools?

Mrs. **Bernstein.** No, rather we are organized along different lines, Mr. Chairman. We have several divisions and each—not each one of them—but several of the divisions have a component part of our total program.

For example, the division Mr. Newburg-Rinn is in deals with the national cases that are in litigation. Mr. Badal is in the division which is working on the possibility of a trade regulation rule. Mr. Ressing was in charge of developing and implementing our consumer education program which was designed to alert students to potential abuses or potential problems to help them find the right kind of vocational training for them, because we too agree, as you seem to, that good vocational training can be a very healthy and salutary type of education in this society, if people are not ripped off.

Mr. **Hicks.** Does your statement say that there is about $2.5 billion a year involved in this industry?

Mrs. **Bernstein.** Yes.

Mr. **Hicks.** Now, how many people in the Federal Trade Commission are devoted to looking at this?

Mrs. **Bernstein.** Roughly, our projected total of resources for fiscal year 1975 is 5.9 percent. About $6 million will be spent.

Mr. **Newburg-Rinn.** We are projecting 5.9 percent of the total bureau and regional offices budget will go toward working on vocational school problems, which is quite a large commitment of resources.

Mr. **Hicks.** That seems to you a reasonable amount considering all of the things the Commission has to be involved in?

Mr. **Newburg-Rinn.** We are involved in areas of warranties. We have the whole gambit of deceptive and unfair practices.

Mrs. **Bernstein.** That is a major commitment on our part, considering the size of the Bureau of Consumer Protection and regional offices.

Mr. **Hicks**. You say there are roughly 10,000 schools in this field of endeavor?

Mrs. **Bernstein**. That is correct.

Mr. **Hicks**. And of that number, do you have any idea what would be a reasonable sampling that should be looked at? I assume the same principle applies as in auditing income tax returns—you cannot look at them all, but you have to look at a certain sampling to determine what is going on in the field.

Would that be a correct analogy?

Mrs. **Bernstein**. As a matter of fact, we did have such a program a couple of years ago before we launched our major program effort.

Mr. **Hicks**. Did you go out and pick the schools or did you just rely on the complaints that came in to you?

Mrs. **Bernstein**. No, we do, of course, look at complaints, but we have various other ways of determining size, number of students, dropout rates, various other kinds of criteria, before proceeding against a particular school.

Mr. **Hicks**. The commission and enforcement of orders is one way to get at this problem but is that the optimum way to get at it? Do you have any suggestions as to what kind of a package we ought to have to try to work out these problems?

Mrs. **Bernstein**. I do not at all think that is the optimum way. From our point of view, that would be almost impossible even if we refer a number of intrastate cases over which we have no jurisdiction to State agencies or a State or local enforcement agency.

That is the very reason why we tried to develop this four or five prong attack, using the litigation method against the largest schools which seem to have the broadest national distribution of advertising of promotional material and seem to be the most attractive to students, but, in addition, as I say, we have the consumer education program, which was designed to get to the student before he signed up.

In other words, to warn him of potential dangers. They were distributed to counselors who came into regular contact with students.

We have the industry guides which were to help the industry police itself, hopefully, having more of a deterrent effect or impact. We came out rather strongly in a policy statement giving a very strong refund policy.

In addition, we are still looking toward the possibility of a trade regulation rule.

Mr. **Hicks**. Do you have any liaison with the money-furnishing agencies of the Federal Government?

Mrs. **Bernstein**. I am sorry; I did not hear.

Mr. **Hicks**. Do you have any liaison with the money-furnishing agencies? It seems to me they are the ones that can implement this money back or refund program and that sort of thing.

Mrs. **Bernstein**. May I ask Mr. Newburg-Rinn who has been very actively involved with those agencies to answer that question?

Mr. **Newburg-Rinn**. We participate in the Subcommittee on Consumer Protection of Education. We have been working with that committee in an attempt to help buttress the whole Federal Establishment.

We do believe that the funding or approving agencies are in a better position than we are to prevent the abuses before they occur. We can only come in after the fact, even if we have a trade regulation rule. Enforcement of it could require long and complicated litigation. We cannot suspend eligibility for participation in the Federal programs.

Mr. HICKS. Can anybody suspend it?

Mr. NEWBURG-RINN. I think the funding and accrediting agencies have some power in that way. I think some of the legislation that is being considered will give them more power.

Mr. HICKS. How persuasive are you with these Federal agencies?

Mr. NEWBURG-RINN. I think the other Federal agencies are now realizing there is a much greater problem than they first realized and are working in that direction.

Mr. HICKS. Mr. Graham?

Mr. GRAHAM. Have you met with these agencies? We heard there is an interagency group that meets infrequently.

Mr. NEWBURG-RINN. The entire agency group has sometimes met frequently and sometimes met infrequently.

Presently, we are working on a set of recommendations.

Mr. GRAHAM. We heard cases where the FTC found a deceptive practice in schools and yet the VA will continue to fund students to go to those schools.

Does not that seem an unusual practice?

Mr. NEWBURG-RINN. We are disturbed by that.

All of the cases in litigation are institutions continuing to receive eligibility in the various other Federal programs.

Mr. GRAHAM. Could not you inform the VA that you found a particular practice at a particular school?

Mr. NEWBURG-RINN. We regularly do inform the sister agencies.

Mrs. BERNSTEIN. Not only Federal agencies but we notify State agencies as well when we have promulgated an order against a particular school or have issued a complaint to that matter.

Mr. GRAHAM. Do you have any listing of the number of complaints you have forwarded to the VA?

Mrs. BERNSTEIN. We could provide such a listing to the committee.

Mr. NEWBURG-RINN. We do not get that many complaint letters. People do not really know the FTC is the place to write.

Mr. GRAHAM. Do you have some documentation when you have found a deceptive practice and forwarded that information by letter to an agency?

Mr. NEWBURG-RINN. I have forwarding letters when I send the things over to the Office of Education such as when we recently issued a complaint or a proposed consent was issued in one case and I sent it over to the Office of Education.

Mr. GRAHAM. One of the problems has been, even the accrediting agencies mentioned this to us, that the FTC is no longer even sending complaints to the accrediting agencies and those accrediting agencies, which do respond to complaints, have said they do not know which complaints to respond to or they cannot respond to complaints because the FTC is not forwarding.

Mr. Luman. Let me put it this way. Let's say of 100 complaint letters that the FTC receives about proprietary schools, what percentage would you forward to the Office of Education, to the Veterans' Administration, to the accrediting agency, and to the State that has licensed the school?

Mr. Graham. It seems to us that would be the essential, otherwise you would be operating in a vacuum. If accrediting agencies and Federal agencies are to be helped by your action, they must know what you are doing.

Mr. Luman. Do you receive copies of complaint letters that have been made to the Veterans' Administration or the Office of Education?

Mrs. Bernstein. As far as I know, we do not.

Mr. Badal. We have a regular—now, it is the position of the VA that they do not receive all veteran complaint letters but rather many go to the regional offices first so the overwhelming majority of the letters never reach us, but for the past 6 months, I have received every letter they have received.

Mr. Luman. Is it their position that the man in Washington does not have the power to ask the regional office to forward it to him?

Mr. Badal. I have never spoken to them about that but he told me that the letters that come to the VA regional office, he does not regularly receive.

Mr. Graham. What is the relationship between the VA and FTC, insofar as exchanging information of proprietary schools?

Mr. Fox. I can respond to that question.

Normally, what the procedure is, if a regional office receives a complaint from a consumer, it is forwarded to the headquarters where we do have the Bureau of Information which, it is my belief, forwards this information to the respective agencies.

I also know that in our office there is a counsel for Federal-State cooperation who routinely forwards all public issuances to the VA State-approved agencies; so any public information, any issuance by the Commission, any complaints issued by the Commission are routinely forwarded.

Mr. Graham. You are talking about the complaints issued by the Commission? Formal complaints?

Let's take a letter. If I am from State "X" and I entered such-and-such a proprietary school and I am very unhappy because the salesman told me this and that it is not true.

Suppose I write to the regional office. What does the office do with that? Does it send it back here? What is the policy?

Mr. Fox. A copy of the letter is sent to the headquarters office and I cannot answer definitively. I believe it is forwarded to the respective VA offices. I will gladly inquire and have that in writing and respond to that question.

Mr. Graham. Let me put a general question to you.

The Federal Government sees this problem and it affects a lot of agencies. Speaking for the FTC, are you generally satisfied with the amount of cooperation presently existing among the Federal agencies?

Mrs. Bernstein. It is a very new kind of experience for us, I think in the sense of our really devoting time and effort and personnel to that specifically. I think we felt that it had not been done sufficiently up until very recently.

As I said, we are very new at it. We have not had a chance to fully evaluate it and I think the straight answer is that we need to do more of it, as do the other Federal agencies.

Mr. GRAHAM. Would you agree that such cooperation is very important, particularly in an area like this one?

Mrs. BERNSTEIN. Absolutely. I think it is essential.

Mr. PRITCHARD. Mr. Graham, may I ask a question?

We have had this situation going on to some degree ever since World War II, as far as I can remember.

Mrs. BERNSTEIN. I cannot remember back that far, Mr. Pritchard.

Mr. PRITCHARD. Being older and a World War II man, I know about these things.

In some of these cases undoubtedly there is fraud. Anybody in jail today or in prison because of this?

Mrs. BERNSTEIN. Not under the FTC Act because we do not have any such authority to put anybody in jail. There may be State authority; certainly there are local and State criminal fraud statutes to which these people would be subject. I do not happen to know whether anybody is in jail. I bet they are running correspondence courses out of the jails if they are.

Mr. LUMAN. Mr. Pritchard, the witness scheduled for tomorrow told me the only State that makes this a felony is the State of Indiana.

Mr. NEWBURG-RINN. Some of the States that have adopted the "Little FTC Act" have put in criminal sanctions, and schools would be subject to these sanctions.

Mr. PRITCHARD. If you are going to stop something, and you are not able to check every organization, the only other way is if you hang a couple of people when they get out of line. That is enforcement and there is no better way to do it and if no one is in jail or in prison today, then you have a lot of people getting away with a lot of bad stuff.

Mrs. BERNSTEIN. I think you are right and one of the things we have been looking for is something comparable to hanging from our point of view.

We do not have a criminal sanction. We view restitution as an extraordinary remedy from the point of view of the Federal Trade Commission, because it goes a lot beyond; it is more than stop doing what you are doing; stop making exaggerated advertising claims.

Mr. PRITCHARD. The worst that can happen is that he goes bankrupt and a year later he is still eating steaks.

Mrs. BERNSTEIN. Under a restitution order, where he has to give money to people, if he does go back into business, it will make a difference, we believe.

Mr. LUMAN. You mentioned in your statement that the FTC staff is considering promulgation of trade regulation rules having the effect of law, which your guidelines do not.

Will you give me an example of a trade regulation rule in another industry?

Mrs. BERNSTEIN. My very favorite one, which is unrelated to this, but one from which we have had enormous response from consumers, is the care labeling of textile wearing apparel, in which the Federal Trade Commission required manufacturers to permanently label garments with proper care instructions.

Most people do not even know it came from the FTC but we get more congratulatory letters about whoever did that, really did something for consumers than any other. We require them to place that information on a permanent label for the first time.

Mr. Luman. If we were to take this example over to the vocational proprietary school, could you require, under a TRR, that the school disclose their completion ratio and their placement ratio?

Mrs. Bernstein. Yes.

Mr. Luman. Could you adopt some of the guides you have already promulgated into the rule, let's say as to the refund policy?

Mrs. Bernstein. I believe we could, yes, I believe we have authority to do that and presuming we would have an adequate evidence upon which to base it, we could.

Mr. Luman. We have had a problem for some time in this area. The TRR concept is relatively new. Why do not we already have some of the disclosure requirements which would presumably help the student to select the school?

Mrs. Bernstein. The staff of the Commission is working toward those things. In fact, as you know, I am sure, the trade regulation concept, having the force of law, was until very recently under a judicial cloud. It was recently lifted by the decision of the court of appeals, and certiorari has been denied by the Supreme Court, and in some way, that has prevented us from promulgating certain trade regulation rules.

Mr. Luman. If the cloud is lifted, we may see some of the proprietary schools moving into the sunshine.

Mrs. Bernstein. I think that is a nice way of putting it.

Mr. Newburg-Rinn. In our guides, the guide tended toward disclosure and that indicated to industry what we thought they should be doing. Part of that guide said to disclose all other material facts concerning the school, those factors likely to affect the student to enroll in this.

We had hoped this would mean a great deal more in practice and that is one of the reasons we are looking at it from the standpoint of the rule.

Mrs. Bernstein. Sometimes guides will do it. Sometimes an industry will say, "Tell us what you want and we will do it," and we promulgate guides which are very quick and it does the job. Other times, it does not.

Mr. Luman. You promulgated a guide on May 2, 1972, on a refund policy statement.

What has been the impact of that guide?

Mrs. Bernstein. I do not know specifically.

Do you know what the impact of the refund is? Do you know, Bob?

Mr. Badal. That is a statement of proposed enforcement policy. It is somewhat less than a guide.

Mr. Luman. What has it done?

Mr. Badal. Without having done any kind of a sampling of this, I cannot tell you for sure. We know the accrediting organizations have their own refund policies which are different from that proposed in the guide.

We know some statutes have guides which are different from that in that policy so from that point of view, I would say there has not been a tremendous rush to adopt that proposed statement as a uniform refund policy of proprietary schools.

Mr. LUMAN. Has there been a rush to adopt the guides in general?

Mr. NEWBURG-RINN. A couple of States have used the guides as a basis for their own regulations. Several of the accrediting associations adopted parts or all of the guides for their own schools but that has not corrected the problems.

It corrected some of the problems but not all of them.

Mr. LUMAN. Your jurisdiction is over profitmaking schools?

Mr. NEWBURG-RINN. Yes.

Mr. LUMAN. I assume you could bring most of the proprietry schools under your jurisdiction because they are engaged in interstate commerce?

Mr. NEWBURG-RINN. I think that is a correct assumption.

Mr. LUMAN. Then we will have an inequity if you do put out a TRR and say the vocational school must disclose completion, placement, et cetera, in that this would be binding only on the profitmaking school.

Could not you argue that the protection ought to be for the student, no matter what kind of institution he attends?

A student going to a junior college would not have this kind of information, necessarily.

Mrs. BERNSTEIN. I suppose you could argue that and make a pretty good argument, particularly now with the more recent events of what has happened.

I think we simply do not have the jurisdiction to do it that way.

Mr. LUMAN. What do you think would be your persuasive powers with public education institutions?

Mr. NEWBURG-RINN. In some instances, where we have had particular practices, talking to the institutions will help to change their advertising, but it is simply talking, we have no stick to hold over them.

Mr. LUMAN. But some do respond in talking to them?

Mr. NEWBURG-RINN. Yes.

Mrs. BERNSTEIN. I think we can be fairly persuasive and as the liaisons continue to grow, and I think we have grown, and we are talking to more institutions than ever before, we might be able to persuade them to adopt whatever we adopt as final policies. I would hope so anyway.

Mr. LUMAN. Can you act, short of going to court, in the advertising area?

For example, I think everyone has seen some proprietary school ads at one time or other that seem to suggest things that are a little bit unlikely.

If you noticed one of these, do you call the school; do you get a reaction or must you wait until you go to court?

Mrs. BERNSTEIN. There are a number of different procedures which we have in the advertising area. We can proceed informally. I do not know how many times in which we have—we now have new, as you know, injunctive power, to enjoin advertising under certain circumstances, in which we would not have had previously. That is very new under the Pipeline Act, and I do not know if it has been used in a vocational school case or not. It is very, very recent.

We also have, in fairly informal precedures, for consent agreements to cease and desist from the advertising which can go fairly quickly.

Mr. **Luman**. You work with the accrediting association for proprietary schools?

Mr. **Newburg-Rinn**. To some extent, we do. We see their role as somewhat different than ours. We occasionally refer complaints to them.

Mr. **Luman**. For example now, if you read their accrediting standards on advertising, they read pretty well, at least the ones I have read. You will not be misled and so on. Sometimes they are more stringent than the ones you put out.

If you find a school that in your opinion is violating these strictures, your own, the association's, or both, would it not make sense to call the school as well?

Mr. **Newburg-Rinn**. You have an immense problem here. We have in our mind quite a number of schools, to take one example, making demand representations, this they probably cannot support.

I mean the whole object of advertising in this area tends to focus around getting a job and when a small percentage get jobs or just a small percentage have those people who enrolled get jobs because they drop out, we question whether or not the school has made a truthful representation.

I think it would take all of the staff of the Commission, full time, to start contacting each of the schools every time we saw an ad, it would be difficult.

Mr. **Pritchard**. You could not really monitor all of the advertising?

Mr. **Newburg-Rinn**. We certainly could not.

Mr. **Pritchard**. And there is no procedure and there could not be any procedure for them to send the advertising to anybody and have it checked. Ten thousand schools, it is difficult.

Mr. **Luman**. I am talking about when the Commission knows of that advertising, and they sometimes do. I say why not go to the association, which has a stringent standard, and say to them: "Now look, this school is advertising that you can earn a high pay in such and such job, and you cannot. We know it and you know it. How about doing something about it?"

I wonder if the accrediting associations share your views and what kind of relationship you have with them?

Mr. **Newburg-Rinn**. I do not think the situation is quite as black and white as that. There are a few areas you could, say, for example, absolutely no one gets a job in that area.

In many cases, it depends on the school's own performance and until we get into an investigation and subpena the school's records to find out, we do not have an absolute answer.

We see ads that say, "Train for such and such; thousands of jobs are now open." It looks bad to us but we cannot say for sure whether the graduates of that school get the jobs or do not get the jobs, until we have gone much further down the line.

Mr. **Graham**. Could you not send some kind of informal letter to the accrediting agency, saying we do not know anything about this but we are worried about it.

Are you worried about it?

Mrs. **Bernstein.** Without speaking for accrediting agencies, because I know they are going to testify before you also, I do know they do claim to be doing some of their own policing, and we would encourage that as we always encourage self-regulations of advertising, particularly, because this is not indigenous to vocational schools. We face it constantly because we have enormous jurisdiction over false, misleading advertising over all consumer products, and we do encourage self-regulations, and I would hope we would do in this area as well.

Mr. **Graham.** On this consumer education, is this your primary literature I have here?

Mr. **Newburg-Rinn.** Yes.

Mr. **Graham.** Is this given to each VA student who gets a VA stipend to attend vocational school?

Mr. **Ressing.** When we started the program, the VA requested from the Government Printing Office 5,000 of these guide books, 100,000 of the smaller edition, and 100,000 of a card and they distributed those through their regional offices.

Mr. **Graham.** But is this given to a VA student who applies for a stipend to go to vocational school?

Mr. **Ressing.** Not at the present.

Mr. **Graham.** Is this given to anyone who applies for a student loan?

Mr. **Ressing.** No, it is not.

Mr. **Graham.** Do you think you could work with OE, as part of the literature that is sent out, that is, the FTC literature?

Mr. **Ressing.** We have had discussions in this very area and, as you know, Federal agencies always operate under a budgetary limitation and every time this type of proposal was mentioned, the cost considerations came first.

I feel that every student who is considering a vocational education through the high schools would be given this type of guideline. In the real world, funds do not permit that.

Mr. **Luman.** Have you ever thought of putting one in the post offices?

Mr. **Ressing.** Yes; cost considerations prohibit it.

Mr. **Luman.** Could the post office sell it for you?

Mr. **Ressing.** No, the Government Printing Office is very careful about who can sell the publications.

Mr. **Luman.** The post offices could put up a card on how to order from GPO?

Mr. **Ressing.** If they wanted to.

Mr. **Luman.** This costs 40 cents by mail?

Mr. **Ressing.** Yes.

Mr. **Pritchard.** This is a pretty expensive book. The graphics are well done but it is 24 pages and it is of considerable weight. Some of the real crux of this could be boiled down. You said you had a smaller one?

Mr. **Ressing.** We do have.

Mr. **Pritchard.** You could also have a single sheet of paper which is some type of filler that could go in with the return application, that you could print out in large amounts, for 10,000 of these, which are quite expensive, the trade-off there is very small.

I would expect you—do you send these to high school counselors?

Mr. **Newberg-Rinn.** Yes; we did. It was sent to the high school counselors requesting them to use that information to counsel students.

On the point about the small buyer's guide, we have disseminated close to 820,000 of these buyer's guides, whereas we have only disseminated about 94,000 of the big guide book.

The reason that the guide book is 24 pages and is illustrated is to capture the attention.

Mr. **Pritchard.** This you have to send to opinion leaders, high school counselors' organizations, media people, to get their attention, and there is no reason to have the students read that if you cannot put it out in a mail.

Have you ever discussed with the Office of Education putting out this yellow sheet?

Mr. **Ressing.** Yes, we formally discussed it.

Mr. **Pritchard.** What did they say?

Mr. **Ressing.** At the time, it was not feasible.

Mr. **Pritchard.** Why?

Mr. **Ressing.** Cost considerations; I believe reaching the student after he had already applied for the loan meant he had already signed up.

Mr. **Pritchard.** We thank you people for coming.

I would just say that something is haywire because we have had a national disgrace here and we really have not been able to do the job. I guess there is blame enough for everyone.

Thank you for coming here.

Mrs. **Bernstein.** Thank you for having us, and we will continue to work and, hopefully, work with this committee and any other Government agency which can be helpful to us.

It is a very high priority area for us and we are not through.

Mr. **Pritchard.** You are dealing with people at a very crucial time in their life and also a segment of people in which this is just essential if they are going to take this step of effort, personal effort, in raising themselves up and I cannot think of anything worse than getting ripped off at that very moment when there is enough cynicism in the age of many people in the early twenties and late teens.

Mrs. **Bernstein.** They are very vulnerable at that age and more so than most consumers, I think.

Mr. **Pritchard.** We will be getting back to you people. We may have some more questions.

Mr. **Hicks.** Our next witness is Dr. Harold Orlans, senior research associate, National Academy of Public Administration Foundation.

STATEMENT OF DR. HAROLD ORLANS, SENIOR RESEARCH ASSOCIATE, NATIONAL ACADEMY OF PUBLIC ADMINISTRATION FOUNDATION

Dr. **Orlans.** In response to this subcommittee's request, I will try to review briefly the background and scope of the Government's involvement with proprietary schools, some of the resultant problems, and measures which might reduce them. Before doing so, I would like to stress four points:

FOUR POINTS

1. We know preposterously little about proprietary schools. Whole libraries, journals, associations, departments, commissions, foundations, and institutes are devoted to improving our knowledge of elementary, secondary, and higher education, but almost none to proprietary education. We do not even know exactly how many proprietary schools there are, or have a reliable, current, and comprehensive list of their names. The Office of Education and the Department of Labor have done less than they should, the Veterans' Administration still less, and the Social Security Administration almost nothing to remedy this situation.

2. We do not know the proportion of proprietary schools which indulge in deceptive advertising and recruiting, inequitable refunds, and uninstructive instruction. In a recent survey, three of the five agencies accrediting, in toto, some 1,630 proprietary schools, stated that misrepresentations in advertising, recruiting, and job placement were a significant problem at none, and the other two, at perhaps 5–10 percent, of their schools.

As accrediting agencies seldom trumpet the weaknesses and derelictions of their schools, the latter figure might prudently be taken as a conservative estimate of the incidence of deception and malpractice among all properietry schools (unaccredited as well as accredited). But an advertisement that can deceive a naive student may not mislead a sophisticated one; and, in the absence of an objective study by disinterested persons, we simply do not know the incidence of fair and unfair, honest and deceptive promotional and educational practices among proprietary schools.

3. Malpractice and sharp practice is not confined to proprietary schools. A shortfall of students, jeopardizing the jobs of many professors and administrators, has led increasing numbers of colleges and universities to adopt aggressive merchandizing methods utterly inappropriate for public and nonprofit institutions and to water their educational stock in countless ways that demean the standards and damage the integrity of higher education. Misrepresentation in catalogs and advertising is widespread; the average college is less concerned about tuition refunds and job placement than the average proprietary school. The Carnegie Commission on Higher Education noted that many States impose upon proprietary schools standards of fiscal responsibility and honesty in advertising and soliciting that may well be more stringent than anything required of colleges and universities.

I might say that in Ohio, James Norton, the chairman of the State board of regents, recently circulated for information purposes to all colleges a copy of the advertising guidelines of the National Association of Trade and Technical Schools. He thought it might be educational. That practice might be followed in other States.

4. Last, and most important, if disagreeable to those people—and Congressmen—who want to rectify educational abuses by clear and direct measures: There is, I believe, no clear and simple way to eliminate educational malpractice in either the vocational or academic sector. I will suggest several measures that may be helpful but no single measure will suffice and all measures, together, may fail. Be-

cause, in the final sense, we are dealing with the standards not only of educational and business enterprises but of our fellow Americans. We can legislate and regulate as much as we like, and much legislation and regulation is needed, but we cannot legislate morality. The school owners and students who want to evade a regulation will find a way to do so, and weak-kneed Government officials will let them get away with it. It may be that, in foresaking the Senate for the church, Harold Hughes is taking a more direct approach to the fundamental problems of our society.

FEDERAL AID TO PROPRIETARY SCHOOL STUDENTS

A pile of money, like a pile of compost, can nourish a lot of worms. That happened when the GI bill provided some $14.5 billion for the education of World War II veterans; and it has happened again during the last decade when over $25 billion in student aid has been provided under various Federal programs—some $10 billion for veterans, $8 billion in federally insured student loans, perhaps $5 billion in social security trust funds to student beneficiaries, possibly $3 billion in Federal contributions for rehabilitation and manpower training, and yet more money for fellowships in scientific, health, and other fields.

Only 29 percent—2.2 million—of the 7.8 million veterans who received educational benefits under the first GI bill attended college; fully 71 percent—5.5 million—attended vocational or secondary schools or received training on-the-job and farm. From 1944–49, at least 9,000 and probably over 13,000 proprietary schools participated in the training of veterans. Schools proliferated to sponge up the GI funds while State approving agencies struggled to disqualify malefactors. During one 2-year period, some 5,200 schools (not all proprietary) were disqualified.

As a majority of the better educated veterans of the Korean and Vietnam wars attended college-level institutions, the proportion at proprietary schools evidently declined. In April 1973, 28 percent (364,000) of the 1.3 million veteran enrollees were at proprietary schools. Over a full year, the number was greater—about 535,000 in 1972; however, they received less than 18 percent—$305 million—of the $1.7 billion outlays for all enrollees since many enrolled part time—especially in correspondence courses—or for shorter periods than college students. The number of proprietary schools approved for veterans has also declined from 9,000 in 1949 to perhaps 5,000 to 7,000—no more precise figure is available—in 1973.

The declining esteem and rising cost of higher education and the falling market for college graduates have given a new impetus to vocational education. Under 1965 legislation, accredited proprietary schools became eligible for federally insured student loans.

Many moved rapidly and, in not a few cases, unscrupulously to exploit this risk-free capital, often advanced by banks before students had actually enrolled. In 1973, three large correspondence schools accounted for over $200 million or some 13 percent of all insured loan funds. Of the 7,700 domestic postsecondary institutions whose students were eligible for insured loans in 1972, under 2,000 were proprietary, compared to 5,000 to 7,000 proprietary schools approved for veterans. One common estimate puts the total number of proprietary schools at 10,000, but there may be more or less, since they multiply and die readily, in accordance with definitions and market conditions. The main reason is that, with temporary exceptions, only accredited schools are eligible for the insured loan program, whereas courses at unaccredited schools can be approved for veterans as well as for manpower training programs and social security student beneficiaries.

MAJOR PROBLEMS

This restriction has not eliminated malpractice, because accreditation is an unreliable indication of a school's probity and quality; nor has it substantially reduced the volume of loans at proprietary schools, because the largest schools are usually accredited. As of 1972, 31 percent of the cumulative loan volume went to proprietary school students, who were responsible for 75 percent of loan default claims.

High default rates, which have also arisen at certain colleges and junior colleges with many poor and minority group students, can reflect financial irresponsibility, poverty, or both. The default rate at some proprietary schools has undoubtedly been aggravated by their failure to give prompt and fair tuition refunds and by student grievances at false promises and bad education. The principal abuses of such schools include misrepresentations in advertising and in the claims of high-pressure commissioned salesmen; the admission of all paying applicants, regardless of ability; inequitable, or no, refunds; poor physical conditions and equipment; poor or useless instruction by unqualified or frequently changing staff; inadequate recordkeeping; and poor or nonexistent placement services. Unethical proprietors prey on the weak and downtrodden—some recruiters have gone systematically through housing projects, slum high schools, and military bases—stirring the hope of simple and gullible people for glamorous jobs they will never get. Some proprietors are modern snake-oil salesmen, who, cornered by the law, decamp to another State and hawk their oil again. Others are smooth corporate men who tack carefully around every law and regulation, which they know better than the Ten Commandments. Some like the operators of diploma mills, correspondence schools which offer Heathkit and color TV sets as instructional materials, or trade schools which countenance nonattendance, work in collusion with mock students to defraud and abuse the public.

MEASURES TO DEAL WITH THE PROBLEMS

How can such abuses be curtailed without doing injury to the many honest technical, business, and correspondence schools which provide effective, important, and often unique vocational training to millions? No single or several measures will succeed: abuses which have long persisted will not shortly be eradicated. The market for shoddy education, like that for cheap toys, grade B movies, and pulp fiction, is too vast for buyers and sellers not to meet and transact their business openly or covertly, in every city and post office, every occupation and profession. Nonetheless, a variety of measures can be suggested which, if adopted and persistently enforced, should reduce the incidence of malpractice. They are listed in no special order.

There has been over $25 billion in student aid in the last 10 years, of which perhaps 20 to 30 percent has gone to students at proprietary schools. That is a lot of money, and enough to create these problems.

Mr. **Hicks.** Could I interrupt just a moment? What was the experience that the Federal Government had with World War II?

Dr. **Orlans.** Appalling. There were long hearings, longer I believe than those you are planning to hold, and various measures were taken, such as the strengthening of regulations, and the move toward the use of accreditation as a basis of eligibility. The State agencies disqualified a great many schools. On one estimate, in a 2-year period, over 5,000 schools. Those were not only proprietary, but we may assume many of them were.

This is not a stable population of 10,000 proprietary schools. Whatever may be good or bad about the universities, the larger an organization, the more stable it tends to be. The other schools—the small ones with 50 or 100 or 10 students, or 5 and 1 teacher, or the half-time teacher—they come and go. They go where the money is. You stamp them out in one State, and they will reappear in another.

You really have two orders of problem: How to deal with the large and unscrupulous school, often with a great deal of money behind it, but recognizable, substantial capital, and substantial money for lawyers; and then the very small school at the other end of the scale, that is even hard to locate before they have made what they want to make and have gone away.

Accrediting agencies should act more vigorously to discipline offending members and publicly to report those which have breached their standards, been placed on probation, or dropped from membership. The agencies assert that they are not policing bodies but voluntary agencies trying by mutual effort to maintain and raise school standards, and that to identify derelict members would be counterproductive, unfair to a school which is mending its ways, and might expose the agencies to suit for damages. However, they could be protected from suit by legislation requiring such disclosure as a condition of employing accreditation to establish eligibility for Federal programs. They have not sought such legislation. As it stands, the rotten apples in the barrel prevent accreditation from reliably attesting to the probity and quality of a school.

A further charge may be made against the agencies, that they cannot have it both ways. If they are unwilling to make the type of disclosure that would provide the public with fuller information, if they cannot do that, then they should not claim that they are doing it. They should not claim that accreditation stands for more than it does.

Much should be done to improve the information of students and counselors about the quality and performance of proprietary schools.

I gather that was true in the Riverside University case, the one that the Congressman referred to earlier. The actions of the Western Association in three times refusing the school's application for accreditation were not communicated to the other agency (the Accrediting Commission for Business Schools) that had accredited it.

The Newman Committee of the Department of Health, Education, and Welfare has suggested that the disclosure of such information as a school's dropout, default, and job placement rates be required for participation in Federal programs. A useful step has been taken in Ohio, where the forms submitted by schools annually in renewing their license have been reproduced, bound into a convenient volume, and widely distributed to counselors and the public. Such a measure provides more detailed and useful information than the mere fact of accreditation, and enables each school's claims to be checked by local citizens, graduates, and rival schools. The provision of better information about postsecondary institutions, oriented to the needs of students, has been recommended in a study conducted for the Office of Education by the Brookings Institution and the National Academy of Public Administration Foundation; a similar recommendation was made by the March 1974 Denver Conference on Consumer Protection in Postsecondary Education.

Information about the eligibility or ineligibility of a school for various Federal and State programs, FTC cease and desist orders, restrictions imposed by courts or State officials, and accrediting agency actions should be more fully and widely exchanged. At present, the Office of Education is not systematically informed about the actions of State licensing or veterans approving agencies, and one accrediting agency may not know how another has acted. An information exchange among State and Federal agencies should be established, operated, perhaps by the Education Commission of the States and the Federal Interagency Committee on Education. A comparable exchange among private accrediting agencies could usefully be initiated by the new Council on Postsecondary Accrediting.

The exclusive reliance which the law now places upon accreditation as the only means by which proprietary schools can become eligible for insured student loans should be modified and an alternative means of eligibility provided for useful but unaccredited schools. The agencies accrediting proprietary schools now exercise a monopolistic control over access to this important program. That is intrinsically unfair, denying good unaccredited schools the right to public benefits and offering them no alternative way—such as unaccredited colleges are offered—to qualify for insured loans. It reduces the independence of accrediting agencies by making them de facto agents of the Government and reduces the ability of the Government to protect the public against educational fraud. Once an accrediting agency has been recognized by the Commissioner of Education and its schools have thereby been rendered eligible for Federal programs, the Government and the agency are linked in an uncomfortable, dangerous bondage. The agency can no longer accredit solely in terms of its educational and business standards, because the money which flows from accreditation is too important to be ignored. And the Commissioner has never withdrawn recognition from an accrediting agency, no matter how slovenly its performance, because he has no alternative means to maintain the eligibility of worthy schools.

Regardless of how schools are rendered eligible for Federal programs—by accreditation, State approval, or a third procedure such as approval by a special private agency created for this purpose—it is foolhardy for a Government agency to rely solely upon accreditation to render a school eligible or to withdraw its eligibility. No matter how admirable and effective an accrediting agency may be, its purposes and interests differ from those of the Government. Relying upon accrediting agencies to enforce Government policies is an abdication of the Government's direct responsibility to protect the public interest. If misleading advertising serves to exploit students, it should be made grounds for suspending a school's eligibility.

That need not be done through direct Federal intervention, which would be inordinately difficult to manage, but it could be done through the State agencies that have the responsibility for monitoring this.

If tuition refunds protect a student's rights and the public's funds, they should become a condition of eligibility; and if schools violate the objectives of a Government program, they should be disqualified from participating in it.

We have the problem of getting the school in, but we also have the problem of getting the school out. For 2 years now, the Office of Education has had power which it requested under the 1972 education amendments to remove some of these rotten apples. It has not even issued regulations to implement this power. When the OE representatives appear here in a few days, I would be interested to learn how it is that for 2 years they have been unable to do anything about a power which they themselves have requested.

Inexplicably, the Office of Education has failed to expel delinquent schools from the insured loan program, which has become a monument to administrative immobility.

Loan insurance should be provided to protect students in event of school bankruptcy or fraud. At present, the insured student loan program protects the banks and lending institutions but not the students.

The interests of students are best defined and served by students themselves. A vigorous student arm of an independent consumer protection agency would provide a useful counterweight to the heavy influence of educational administrators upon Government policy.

The licensing, regulation, and inspection of proprietary schools should be strengthened; Texas and Ohio afford examples of the direction in which other States should move.

An expanded program of high school counseling would also be helpful. I believe this has been mentioned by the Federal Trade Commission witnesses. The Veterans' Administration has provided expanded counseling services and now requires counseling before enrollment in correspondence courses. Similar counseling might be required for students proposing to attend schools with high dropout and default rates.

In conclusion: Students have received vast sums—over $25 billion in the last 10 years—from Federal programs to help finance their education. But this aid has not been accompanied by adequate information to help them choose schools wisely or by adequate measures to protect them, insofar as possible, from wasting their time and money. Measures that should help to achieve these goals have been suggested.

Thank you very much.

Mr. HICKS. Thank you, Dr. Orlans.

We will now hear from Dr. George E. Arnstein.

STATEMENT OF DR. GEORGE E. ARNSTEIN, EXECUTIVE DIRECTOR, NATIONAL ADVISORY COUNCIL ON EDUCATION PROFESSIONS DEVELOPMENT

Dr. ARNSTEIN. Thank you, Mr. Chairman, and members of the committee, for inviting me to testify during these hearings on problems and remedies in proprietary education. My views are my own and should not be attributed to my employers, past or present, even though much of the information presented here was collected during the period when I was a participant in the Brookings/NAPA study on "Private Accreditation and Public Eligibility" which is scheduled to be transmitted to the U.S. Office of Education in final form in a matter of weeks. The senior author, Harold Orlans, is also scheduled to testify today.

I need to acknowledge the help I have received from several members on the Federal Interagency Committee on Education and its Subcommittee on Consumer Protection. Their deliberations will lead to continuing changes and improvements in several agencies.

Rather than to discuss or describe the variety of present systems, I want to focus on some malfunctions in the system of licensing, approval, accreditation, and eligibility in the proprietary sector of education. In all fairness, I must add that some of the same defects also occur in the public and nonprofit sectors, but since the present hearings deal with the proprietary sector, and since the financial incentives tend to aggravate the problem in proprietary schools, that's where my remarks are aimed.

What we would like to achieve, I assume, is an educational system which encourages diversity, operates honestly and effectively, and is reasonably simple to administer. We also want to avoid battalions of inspectors as well as Federal control of education—which is prohibited in most of our education laws in the first place.

The present system is not working, even though some States have been reasonably strong and effective. The causes for the defects can be identified:

(1) LACK OF DISCLOSURE

Schools give out incomplete information, make sweeping claims, talk about loans as if everybody could qualify for one, fail to disclose dropout rates, have refund policies which work against students, and there are documented cases where schools do not observe their own policies. Schools need not disclose whether they are on probation, whether their accreditation or approval has been revoked or limited. Furthermore, the lack of disclosure means the student cannot defend himself, since he does not have access to the information.

Since the Federal Trade Commission is scheduled to testify this morning, since I have seen their working papers on full disclosure which point in the right direction, I merely note the need for common standards and the general desirability of full disclosure so that students can inform themselves, and so that those who provide advice, the high school counselors, the veterans' advisers, and the staff of the State employment services, for example, can also have access to data which inform rather than obscure the truth.

(2) LACK OF EFFECTIVE LAWS

State licensing laws vary from none to weak to strong. It is easy to demonstrate that they are not working because if they were working, and if they were effectively enforced, then we would have no abuses because every offending school would be out of business, either permanently or temporarily, by having its State license revoked or suspended.

To put it another way: the Governor of every State has appointed a State appproving agency which approves courses for veterans' benefits. If the State licensing laws were effective, there would be no need for a separate approval system for veterans' benefits because the State licensing laws would take care of the matter. In some of the stronger States—New York and California are examples—the same staff in fact performs both functions thus achieving economies of staffing, and de facto operating its State licensing staff with a Federal subsidy provided by the Federal Veterans' Administration to pay for the approval for veterans.

Here I might explain why my statement says California is an example of a strong law, and two Congressmen have just testified that California has defects.

California laws, administered by the bureau of school approvals are really quite effective. There is, however, a large loophole in the higher education law covering the degree granting institutions, where one type of school is effectively exempt from licensing. That is how a vocational school elevated itself into the higher education sector, and that is why it was able to get away with some of the things it did.

Mr. HICKS. Are you talking about the West Coast Trade Schools, or Riverside University?

Dr. ARNSTEIN. Riverside University, which passed itself as if it were fully accredited by virtue of its vocational technical accreditation.

Mr. LUMAN. Is Riverside a profit or nonprofit institution?

Dr. ARNSTEIN. It is nonprofit. However, this nominal status of nonprofit leaves some questions unanswered.

(3) LACK OF COORDINATION

This problem exists at two levels: Federal agencies go their separate ways, with very little liaison between different programs so that one agency may be alerted to something wrong, while another agency does not know what its colleagues know. The VA for example, operates its own system under one set of laws and in cooperation with the States, while the Office of Education operates its own eligibility system under a different set of laws. There is a tie between the two systems, but it is very weak and is used only minimally. At the State level, the problem is similar. When Florida enacted its 1971 licensing law for colleges and universities, to overcome its former reputation—well deserved—as a haven for diploma mills, some of the degree mills chose to leave the State and set up somewhere else. Wayne Freeberg of the Florida Board of Independent Colleges and Universities told the participants in the National Conference on Consumer Protection in Postsecondary

Education about this last March and urged them to arrange for a pooling of information.

A different example derives from the effective licensing laws in New York State where, according to one official, a goodly number of correspondence schools have left and set up shop in Illinois where they find the regulatory climate more congenial. Since home study schools can move their base more readily than other schools, and since they are the subject of a disproportionate number of complaints, the variations of State laws and their uneven enforcement are tempting.

(4) LACK OF RESEARCH

Not enough is known about the operations of the various systems of licensing, approval, accreditation, and how they work. I have been a participant in two recent studies and they have persuaded me that we need a major effort to develop evaluations, research and development in this whole area:

"Private Accreditation and Public Eligibility" by Harold Orlans and his colleagues at the Brookings Institution—and now at the National Academy for Public Administration—was funded by the U.S. Office of Education and is now being circulated in draft form for critical review.

"Educational Assistance to Veterans: A Comparative Study of Three G.I. Bills" by the Educational Testing Service, was mandated by Congress, funded by the VA, and published by the House and Senate Veterans' Affairs Committees, September 1973.

There is a whole agenda of programs to be evaluated, of data to be examined for their relevance, of policy-oriented research which needs to be sponsored so that we can design a more effective system of licensing or eligibility.

Recommendations. Implicit in this examination of the shortcomings and their causes are certain recommendations which I now would like to make explicit.

A. FULL DISCLOSURE

While we can develop a checklist of items which each school should disclose, probably annually, we also need evaluation of these items and research whether an improved list can be generated so that the information will be more meaningful. It may turn out that dropout rates are or are not valid indicators as to the quality of a school. In short: We need full disclosure, and we need to monitor how it works so we can improve it.

B. ACCOUNTABILITY

While there is much talk about accountability in education today, there is not enough performance.

The witnesses earlier referred to the need for bonding. I am suggesting a different version: In addition to licensing of schools, we ought to have some form of certification of proprietary school administrators. I am fascinated; public school administrators must have a State issued administrative credential, even though they are accountable to the board of education, but private school operators do not need an individual credential or license, and do not have a public board to which he is accountable. He is the owner. He is accountable only to himself or he is a manager accountable only to his boss.

Many corporations managed to take advantage of deliberate bankruptcy; the same people, or a mixture of some of the same people have then incorporated themselves and started all over again as if they had a clean slate.

If there were individual licensing, then a condition of the application could be a disclosure of all previous licenses held, all previous probations, warnings, and cease and desist orders, and other information along this line. I am not saying that this kind of disclosure should be immedately disqualifying. I am saying they should be made to disclose it. I am suggesting that these be State licenses, with some exchange of information between the States, between the accrediting agencies, between the approval bodies and all of the parties concerned.

Mr. WYDLER. Doctor, I am sure it is easy to get a strawman to act as a licensee; that type of dodge is not the hardest thing to arrange. He would be required to be an individual, and somebody could go out and find some willing strawman to go in and act in his place. It is not that hard to do, quite frankly.

Dr. ARNSTEIN. What I am advocating here may well fall short of reality. I know of only one State that licenses private school operators as individuals, and that is New York State. Maybe you ought to ask one of their witnesses to explain the system in greater detail, but what it amounts to is that whoever operates the school gets a temporary license on condition that he take a course in the operation of a proprietary school, and then he gets a regular license.

There is a measure of individual responsibility and accountability here, and I think it is well worth trying, on a much wider basis. It is, however, very difficult for a Federal law (and we are presumably talking about Federal legislation) to direct the States to do this.

Here I merely suggest that to the extent that we have a great variety of Federal programs in which participation is deemed highly desirable by the schools, there is an incentive which could be used to encourage the States to move in this direction.

I could suggest it is something we ought to look into, and consider as a means of achieving accountability.

A major move toward better licensing laws and accountability came under the aegis of the education commission of the States which convened a task force in 1972, delivered a model State licensing law in 1973, and sponsored the first National Conference on Consumer Protection in Postsecondary Education, in Denver in March 1974. In all of these efforts it enjoyed modest financial support by the Federal Interagency Committee on Education. The Denver conference was in addition sponsored by six interested Federal agencies:

Department of Defense, because some veterans benefits can now be used by active personnel;

Veterans' Administration, because it operates the largest student financial aid program;

Bureau of Indian Affairs (in the Department of the Interior), because it operates educational programs for Indians;

Department of Labor, because of its role in manpower training activities and apprenticeship programs;

U.S. Office of Education, because of its pivotal role through the Accreditation and Institutional Eligibility Staff (and other programs); and

Health Resources Administration in the Department of Health, Education, and Welfare.

That same Denver conference also brought out, once again, that some corner-cutting operators escape accountability by the simple device of leaving one State and setting up shop in another, and sometimes by forming a new corporation, with the same or similar officers. There are remedies available at least on the law books because each State approving agency, operating in cooperation with the Veterans' Administration, must satisfy itself that:

(12) The institution's administrators, directors, owners, and instructors are of good reputation and character * * * (Chapter 36, United States Code, section 1776).

As things stand now, this is not always easy to ascertain. State A may not inform State B. State agency C may know something not known to State agency D, and the Federal files may contain something of interest to the State approving agency, if only it knew where to ask and how to get it.

I can think of two ways of overcoming this kind of defect:

Make the applicant for approval—administrators, instructors, and owners—comply with criterion 12, cited above, by submitting certification that they are of good character, that they have no convictions or other blemishes on their record (except as disclosed in the application) then put a penalty on the application for false or misleading disclosure.

Or, initiate some kind of an individual credentialing or certification system. Just as teachers in public schools must have teaching credentials (and administrators in most States are equally required to have administrative credentials), so proprietary faculty, staff, and administrators, could be credentialed, with suitable provisions for revocations.

Equally important, all forms of licensing, approval and accreditation should have limited duration: I suggest annual expiration and renewal. Many defects today occur because licenses run for 5 or 10 years, sometimes in perpetuity, and it takes a major legal effort to terminate them. I think they should expire periodically, with the burden of proof resting on the applicant that he is qualified for renewal or extension.

The idea is to make the administrators of the school accountable to a public body as to the quality of their performance, both in their corporate capacity and as individuals.

C. INFORMATION CLEARINGHOUSE

Since I had a hand in the formulation of the recommendation of the Denver conference, it is not surprising that I endorse the recommendation:

That the Education Commission of the States serve as a catalyst for the development of a clearinghouse of information, which in effect would be a data bank of information on all postsecondary education programs. Such a data bank would enable students, prospective students, counselors and other consumers of postsecondary education services to make informed judgments regarding selection of institutions and/or the programs that would be responsive to their needs.

Illustrative of such data would be requirements of admission, cost of attendance, refund policies, transferability of credit, actual job placement and other assistance available to graduates or those who attend such programs. (While it is recognized that a great deal of this information exists, there does not exist a comprehensive single source of this information systematically collected and updated for all of postsecondary education. It is in this context that the recommendation is offered.)

FEDERAL ROLES

I have left to the last the basic question as to what the Federal role should be, just as I have left unanswered as to who is to carry out the various recommendations I have listed.

1. IMPROVE ITS OWN INTERNAL SYSTEMS

Specifically, the guaranteed student loan program now suffers from a defect which is structural: Instead of the adversary situation which normally exists between borrower and lender, the program has injected a guarantee feature and an interest subsidy which encourages some borrowers and lenders to join forces to the detriment of the Federal agency.

Similarly, the VA now pays 90 percent of home study tuition. This means that some veterans or active military personnel sign up for a course on how to become a TV repairman, when their real purpose is to acquire the color television set which is provided for practice and assembly as part of the course.

These two examples are meant to illustrate how the structural defects encourage misuse, and the need to improve systemic weakness.

2. COORDINATE SEPARATE FEDERAL PROGRAMS

It certainly is appropriate for different Federal agencies to have different criteria as to eligibility. The Department of Transportation, for example, has a program which gives research grants only to accredited universities, while the National Science Foundation disregards accreditation. But different agencies often would like to know whether a school has lost its State license or had its voluntary accreditation revoked, or that the Veterans' Administration withdrew approval for veterans benefits. There is now no mechanism to effect this kind of pooling information.

The question earlier to the Federal Trade Commission was whether they refer complaints to the Veterans' Administration, and the Office of Education. The question illustrates that your committee is aware of the lack of coordination.

Federal funds simply could and should be made available for evaluation of this entire area, so that a better system can be designed, better indicators of quality can be monitored and possibly substituted, and similarly, Federal funds could be made available to provide technical assistance to the States.

I am not advocating uniform standards; I am advocating access to information which may influence decisions by agencies operating according to their own standards and regulations. They cannot reconsider or stop certain support programs if they do not know that some other Federal, State, or private agency has become sufficiently concerned to put a stop to its own form of approval or eligibility.

3. ESTABLISH A CLEARINGHOUSE OF INFORMATION

My own preference is for the clearinghouse to be federally funded but operated by a nonprofit organization like the Education Commission of the States. The important thing is to get it established under reputable auspices, with visibility so that users and potential users can find it, and with support from as many of the Federal agencies as possible. If the Federal sponsors can agree on a location within the Federal Government, then this also may be an effective solution.

4. ESTABLISH A CENTER FOR RESEARCH, DEVELOPMENT, AND EVALUATION

Again, this could be done by contracting with a suitable organization, or by setting up a special center on its own with the explicit mission of monitoring the performance of the various systems, of measuring the effectiveness of indicators of quality, of generating a series of informed recommendations to Federal, State, and local government on how to safeguard and improve the integrity of educational institutions.

5. ESTABLISH A TECHNICAL ASSISTANCE INSTITUTE

Whether this is combined with the clearinghouse on information or is separate, there clearly should be an organization whose task it is to help State regulatory authorities do a better job, by organizing workshops where State officials—and private accrediting agencies as well—can compare notes as to what works and what does not work, where they can develop new techniques, can develop better forms of communication and coordination, develop instruments to measure the performance of schools and the like. Further, the institute should be in position to develop training programs to assist those States—and private bodies—which seek assistance, to provide technical information, answer inquiries, and generally enhance coordination and collaboration across State lines, or even internationally—as shown by the persistent problem of diploma mills which mislead many foreigners.

6. ENCOURAGE CHANGE TO A SYSTEM OF TIME-LIMITED ELIGIBILITY

Just as we urge States to issue licenses good for only a single year, subject to renewal, so Federal agencies ought to decide on eligibility for participation in Federal programs on an annually renewable basis. What we need to do is to persuade schools that renewal is a privilege, not a right, that as part of the renewal application they may be asked to disclose specified data as to past performances; in short, that they must give an account of their work, and must do so for the public record.

Federal agencies can help the States in getting this concept across if they limit the period of eligibility.

In summary, responsibility traditionally has rested with the States which, in turn, have partially relied on private voluntary accreditation. Federal agencies also have relied on these two systems but have not done very much to strengthen them, to further them, or to innovate.

This they should now do through three approaches—a clearinghouse of information, an R. & D. center, and a technical assistance and training institute. They need to do this jointly, if possible, and the Federal Interagency Committee of Education—FICE—is an existing mechanism for coordination, leadership, and financial support.

As for the States and private bodies, they ought to think about limiting the period of a license or accreditation to a single year, with the burden of proof for renewal placed on the applicant, rather than revocation or probation having to be justified by the approval agency.

Further, and this is probably the most radical recommendation in my testimony, we need to find an effective means for holding individual school administrators accountable for their own actions, rather than to revoke or limit a corporate body like a school. My recommendation for doing this is to have the States issue individual credentials—licenses—to the administrators of private, profit-seeking schools, just as many States now credential public school administrators. Federal agencies certainly can provide incentives for stimulating a movement toward this kind of individual certification, even though the certification will be awarded by the States. Federal agencies can make eligibility for their programs contingent on the holding of administrative credentials, for example, and they can provide funding for interstate cooperative activities designed to develop workable and efficacious credentialing standards. The VA standards, enacted by Congress, now require adherence to fire and safety laws, just to cite an example of Federal criteria, enforced through the States—38 United States Code 1776(8). This very provision, in fact, could be interpreted to encompass certification.

Above all, existing Federal laws covering veterans benefits and the various programs covered by the work of the Accreditation and Institutional Eligibility Staff of the U.S. Office of Education all specify that the U.S. Commissioner of Education shall publish a list of nationally recognized accrediting agencies and associations "which he determines to be reliable authority as to the quality of training offered by an educational institution * * *" (38 U.S.C. 1775(a)).

It is difficult to determine quality; it is doubly difficult in a context of prohibitions against Federal control; but it is worth a more determined effort than we have been making.

For the record, two related articles should be cited here:

Arnstein, George. "Ph. D., Anyone?" (diploma mills), American Education, July 1974.

Arnstein, George. "Bad Apples in Academe," scheduled for publication in American Education, August–September 1974.

I would suggest that the laws are on the books, that the Congress has enacted some of them.

In the case of the Veterans' Administration, the State approving agency, according to section 1776, chapter 36 of the United States Code, shall inquire as to whether the institution's administrators or directors, owners, and instructors are of good reputation and character.

Obviously, somebody has not been asking some of these questions. This is one of 14 criteria stipulated in chapter 36, and the 14th criterion is even broader because it says the State approving agency may add such other items as it deems necessary.

That is not an exact quotation, but that is what the Congress intended the States to do. Most States are not exercising their authority as well as they should, and maybe the Federal Government should lend a helping hand through financial assistance, technical assistance, and similar devices.

Thank you, Mr. Chairman.

Mr. Hicks. Mr. Pritchard?

Mr. Pritchard. What is your estimate of the so-called 10,000 proprietary schools if you put in firm and tough standards? What would be your percentage that you think would fall away?

We use the one that said 10 percent?

Dr. Orlans. I gave the figure which was not mine, but has been given to us, 5 to 10 percent.

Mr. Pritchard. What is your estimate?

Dr. Orlans. I think 10 percent is a reasonable estimate. The matter could be determined better by a study which would look at the advertisements of a sample of 500 schools and, get a few people to look at them, and to rate which are acceptable, which look phony, and which are a downright breach of accrediting agency standards.

I have no other basis than the estimate that has been given to me by spokesmen for agencies that have no wish to run down their own members, and their own profession.

Mr. Pritchard. That would be the higher?

Dr. Orlans. That is their high estimate, but I thought a high estimate was a prudent one to take here.

Zero was the low—there was nothing wrong anywhere.

Mr. Pritchard. You have a number of problems. You have in some cases absolute fraud. In many cases, you just have a lack of talent, a lack of expertise, a lack of money, and a lack of background to operate; some may be operating at 80 percent, and know that they should be doing better, and feel that when they get their finances in shape, they will do better.

Dr. Orlans. I think there are two problems, there is the problem of the small businessman, and to give him the benefit of the doubt, many of the errors he makes, maybe simply reflect incompetence rather than any maliciousness.

I am less inclined to give the big businessman with plenty of resources the benefit of that doubt.

Mr. PRITCHARD. I gather that you feel the real thrust of enforcement has to come out of the States, is that right?

Dr. ORLANS. It has to come legally. They are the authorized agency to license and remove the license of these schools.

Without that authority, the schools cannot function, so that there is no question that the States are primarily responsible, but, as George Arnstein said, there is a good deal more the Federal agencies can do to help them. The Federal agencies certainly have primary responsibility for administering the programs under the statutes that the Congress has authorized, and some Federal agencies have been extraordinarily lax. Not to pick on the VA, which has its own problems, I would name two:

I would name the Office of Education's failure to remove schools that are plainly derelict; and the second example is the Social Security Administration, which has handled our money in increasing volume, $600 million or something like that going to student beneficiaries, not all by any means proprietary schools, but if the distribution is like that of the VA, there must be a substantial number of them.

We know almost nothing about what happens to those students: there is not even information about the numbers in different kinds of schools. I regard that as negligence.

Mr. PRITCHARD. I think you said, and I remember the great number of schools that were closed up or done away with right after World War II, in the VA. We had them all over.

There were 5,000 schools that were closed up, and is that because they were more aggressive in closing up the schools?

How does this take place?

Dr. ARNSTEIN. When the GI bill was enacted, it was a massive effort for which neither the Federal Government, nor the States, nor the schools were prepared. When you have that much money, millions of veterans collecting $55 a month, plus full tuition and books and supplies, federally provided, thrown into the economy, it attracts a lot of, shall we say, opportunists.

They overshadow all of the clean operations. I do not want to claim that there were 2,000 colleges which were clean and respectable, but the fraudulent schools overshadowed the established schools, and that is when the alarm went off.

There was a report from the Bureau of the Budget, a report from the Administrator of Veterans Affairs, there was even a message from the President of the United States on the subject, just to give an idea of the dimension of the scandal, the abuses, and the concern which led to certain reforms and changes which are basically incorporated in the Korean GI bill, 1952, the Serviceman's Readjustment Act of 1952.

In the process, it has become somewhat restrictive, so that the VA today is basically opposed to some educational innovations, inadvertently so. The byproduct is that they have a rule and a regulation for everything, lest there be abuse, and that makes it very difficult to change anything.

Unfortunately, they have not stopped all of the abuses either.

Dr. ORLANS. I think the short answer is they were closed down by State officials, and the veterans approval agencies.

Mr. PRITCHARD. My State was the State that went after them. I had a friend of mine that got piano lessons under the GI bill, and you could get anything under the GI bill, but they did close it up, and the offenders now are much more sophisticated, much more clever, and it is a much bigger deal. Is that it?

Dr. ORLANS. The offense follows the regulations.

The VA has gradually relaxed somewhat, and the schools have found new ways in which they need not disobey any regulations. If they are clever, they will always find a way of disobeying a moral requirement that is not yet on the books.

You have the new regulations in States like Texas and Ohio and Florida, that are presently effective in improving the situation, but I suppose 10 years from now those States will need new legislation again.

Dr. ARNSTEIN. The 1950 law banned such courses as bartending, personality development, but instead, we now have the color TV by correspondence schools, so what I am suggesting is that as some blatant abuses are eliminated, ingenious operators find new ways of exploiting the system.

Mr. PRITCHARD. In your study, did you find a person who is in this educational racket, and we are not saying they are all there, but that real educational suede shoe operators, do they keep popping up again and again?

Dr. ARNSTEIN. There are certainly some names that recur time and time again. They move from one State to the other. At the risk of being sued for libel, I have interviewed one of them at 1½-year intervals, when he moved from Florida to California. Fortunately, he did not remember me from the first time.

Mr. HICKS. Mr. Luman.

Mr. LUMAN. One of the things that has been pointed out is that the Federal Government is very leery about interfering with the quality of education.

Is it possible that in order to protect the Federal dollar, and the federally supported student, the Federal Government in determining eligibility could involve itself in the businesslike aspects of the school; namely, advertising, refund policy, perhaps the disclosure of certain information?

Would you see that as falling outside the traditional concern of intervention in education itself?

Dr. ORLANS. I would agree with that. The Federal Government has the tradition of protecting the Federal dollar, and I think that is the unobjectionable and natural direction for it to move.

Dr. ARNSTEIN. That law now exists. That is what is in chapter 36; it has lots of explicit provisions; it bans misleading advertising; and it even authorizes the VA to make compliance visits.

The trouble is it is not done well enough.

Mr. HICKS. Is it done at all?

Dr. ARNSTEIN. I have been on a VA compliance visit as an observer, and yes, it certainly is being done.

Mr. LUMAN. Don't we get into the further problem of educational compliance? Dr. Orlans said perhaps there should be an alternative to reliance on a private accrediting body, because you are making compliance with its standards an ingredient of getting public support in the form of students.

The accrediting agencies do put out standards on advertising, on refund policies, but they also judge the quality of education.

Now, if the Federal Government can get involved in those business aspects of the school, then to that degree it can substitute for accreditation, but how does it handle the quality of the education part of the process?

Dr. **Orlans.** In my opinion, the quality of the best education has fallen very far, and I am talking here of the accredited institutions, so I really have very little hope of maintaining substantial quality in an accredited system, let alone in federally regulated eligibility, and I would agree that this is not a job for the Government.

It is, above all, not a job for the Congress. No Congressman can dare to admit that a school in his district is not of a quality comparable to that in his colleague's district, and it is unfair to ask that.

Mr. **Luman.** Do we have a partial solution in that vocational education has a handle on it that academic education does not, one that you can measure; namely, that you are training someone supposedly for a job. Do you see this as an alternative to enforcement of accreditation, to have a school demonstrate that a certain percentage of the students were employed in the field in which they were trained?

Dr. **Orlans.** What happens when you have an oil embargo, or a recession, or the law schools produce so many graduates, all of a sudden you glut the market.

Dr. **Arnstein.** I am reluctant to use that as an indicator of quality, and I am leery in regard to quality, because what may be good for one student, may not be suitable for the other.

I am concerned about the integrity, and I think we can do a lot more to make sure people do not get cheated in any blatant way.

Some schools have no refund policies; they do not even observe their own refund policies. The student is made to take the initiative and persist, for example.

I am far more concerned with that than these elusive definitions or the enforcement of "quality" education.

Mr. **Hicks.** Mr. Graham?

Mr. **Graham.** I was just commenting to Mr. Luman, that the Bureau of Indian Affairs has eased the problem by giving funds to those schools that have successfully trained students for a particular job, and will not give funds to a school or to a student to go to a school unless they are reasonably certain that the student will get a job.

Mr. **Pritchard.** This opens up all types of problems when you start making it more difficult for the school. The school for being judged on that basis, how they accept students, how they accept disadvantaged students, and then their mark is going to be rather than just straight educating, we have to take those that give us the best chance of making it.

Of course, what you are really saying, I think you have to recognize as long as the schools are in a bind, and the president of a university, or president of a college is being judged on whether he has any black ink at the bottom of a page, and the school is threatened, whether it is a college, or a very legitimate proprietary school, or whether it is a fly-by-night outfit, the great pressure on the person is to keep the doors open. It seems to me then that selling to students, and getting people in the door can become more important than the product, and whether it is said so in policy, or whether it is an unsaid thing, the pressure is there.

Dr. **Orlans**. And it keeps the unemployment rate down. I think this is part of the national policy in this country, as well as in Great Britain, to not maintain too strict standards and requirements of quality, and to have a widespread opportunity to enroll in education. It helps reduce the size of the labor force.

Mr. **Pritchard**. I think it is very hard to come in with hard and fair standards and rules, and say this is how we will judge.

Go ahead, Mr. Luman.

Mr. **Luman**. Dr. Arnstein, you were speaking of the Veterans' Administration, and said they had rules or regulations, or they would be faced with abuses. You cited a major abuse in your testimony, and that is the use of correspondence courses as a way of buying equipment sets or televisions.

What do you see as a solution to this problem that the Veterans' Administration could adopt?

Dr. **Arnstein**. The Veterans' Administration, for the approval of courses, now relies on the State approving agencies, and subsidizes them at approximately $10 million a year, or reimburses them for their services if you want to put it that way.

I am somewhat surprised that no part of that $10 million has been used for some of the pooled and shared activities which the VA could easily sponsor, for example, the search as to what techniques work and what techniques do not work. It could provide technical assistance to State approving agencies. Or the sponsoring of workshops for State officials. There are many things that could be done with Federal funds to help the States work more effectively and more efficiently to cope with the problems of interstate migration. We now have a form of Gresham's law where the good States and the good laws drive out the bad schools into an adjoining State, or encourage the bad schools to survive in a different location.

The law is there, the VA is spending the money. I wish they would spend some of it for what I call developmental research and assistance activities.

The VA should not be alone in this. I think some of the other Federal agencies should participate in this. I visualize the setting up of a third neutral party, a technical assistance center and research center. It could be done under the auspices of the States, thus avoiding Federal control on the one hand, and the lax State laws on the other hand.

Mr. **Luman**. One of the points you made earlier concerned one of the other agencies, the Social Security Administration. Dr. Arnstein, at the Denver conference, was the Social Security Administration represented at all?

Dr. **Arnstein**. I cannot speak for the Social Security Administration, or why they were not there, but according to the attendance roster, and to the best of my knowledge, they were not represented.

It is one of the ironies, and Dr. Orlans alluded to this in his testimony, that the Veterans' Administration has a system which does not work very well, and they get hit time and time again for the defects of the system.

The Social Security Administration does nothing except to rely on others. It does not know who its beneficiaries are, and it does not get attacked because it calls no attention to itself.

Mr. LUMAN. How would you feel about the trade regulations rule on the part of the Federal Trade Commission which would require disclosure of certain information as a condition of operating proprietary schools?

Dr. ARNSTEIN. I welcome the general thrust. I welcome the idea. I am a little leery of having it embedded in a regulation, when it may turn out they are asking for the disclosure of some items which may turn out to be less desirable than other items to be determined in the future.

An obvious indicator would appear to be dropout rates or retention rates. Correspondence schools are known to have dropout rates of 75 percent, and going as high as 90 percent. Presumably this means that there are overly enthusiastic salesmen, and other incentives to start the course, but not to finish it. But I can also think of a course like the hotel and restaurant school at San Francisco City College many years ago, where cooks and bakers and people like that seldom finished the course. They were dropouts, because the restaurants were so eager to hire the students, that they never got to complete the course. What I am saying is that raw dropout rates may not be as meaningful and informative as they appear to be at first.

Mr. LUMAN. And then of course we have the question of whether you should not let the prospective student make that determination for himself.

Dr. ARNSTEIN. Right.

Mr. LUMAN. What would your reaction be?

Dr. ORLANS. I am in favor of it. I think there is a problem of applying things too broadly, where a great deal of paper could be generated, but also there could be too many studies.

We know some elementary points. It would be useful and not onerous to publicize the stories. As a start, let us have that disclosure at the very least for those schools against which there have been a lot of complaints, where there is some official action by a State or Federal agency.

This would be a modest beginning to require half a dozen points to be disclosed by several hundred such schools that have, plainly, special problems. No doubt they will immediately bring suit for discriminatory treatment, and that must be taken into account before this action is pursued too far.

Mr. LUMAN. I assume it is voluntary, but would not you agree, that the Ohio compilation contains a lot of information, as to the class size, placement records? Sometimes the school does not fill it out, but in looking through it, I think most did.

Dr. ORLANS. This is something that is very useful, and we could sit here and study the thing endlessly and never agree on what is perfect, but this is useful, this could be done in other States.

Mr. LUMAN. You spoke of people bringing lawsuits for discriminatory practice. You made mention about the accrediting agencies having a problem of being sued, and you proposed that they somehow be exempted and protected from lawsuits.

Dr. Orlans. There are two good lawyers here from accrediting agencies, and they know more about this than I, but if it were a condition of eligibility that this disclosure be made—a condition of using accreditation to get their members in, that you disclose, let us say, probationary status—would that subject the agency to suit if it were written into law? That is the question.

It seems to me some approach of this sort, making it a condition that all of the members knew when they applied for membership or for renewal, that they had to give something in order to get a great deal, is not unfair or discriminatory or unreasonable.

Mr. Luman. We can try that next week on the witnesses.

Were you also making a comment in relation to accrediting in general?

I understood from some of the accrediting associations that there can be a legal problem when you decide to lift someone's accreditation, because you take away his chance to make his living, even where there is a reason to kick him out.

Dr. Orlans. Dick Fulton said I do not have enough regard to due process. There are other countries that manage due process without infinite delay that we specialize in, and it seems to me a little bit of speed is what is called for in the actions of private agencies, and also of Government bodies.

If lawyers were paid on a time basis—paid more the less time they take—they might get done with this due process more quickly. If they were given an incentive, they would do it.

Mr. Luman. Doctor, in your statement you recommended we establish some sort of clearinghouse with perhaps some technical assistance function.

Have you ever discussed with anyone what that might cost, or do you have some proposal, or some kind of ballpark figure?

Dr. Arnstein. I have a ballpark figure, but it is not very meaningful, because we would have to specify what the scope of the clearinghouse and particularly the technical assistance operation would be.

You can hire two consultants and send them out, and that is cheaper than 20, but for an effort like that to be undertaken, it would easily take between $400 and $500,000 a year. When you consider that the VA now spends $10 million per year to fund the State approving agencies to do the bidding of a Federal agency, it strikes me as a fairly good and a relatively modest investment.

Dr. Orlans. I recall a cost of $19,000, and they had to get a special grant which they did not have in the normal budget, to reproduce that Ohio volume you have there, Mr. Pritchard.

Mr. Pritchard. It would be nice if a student knew how long a school had been operating, that in itself is a measure.

If I walk in, and I was going to have my son or somebody go to a school, the first thing I would ask, is how long has this place been operating?

Dr. Orlans. And the different names under which it has been operating.

Mr. PRITCHARD. Right. I think you are right in that it is not perfect, but I think seven or eight criteria would give you a pattern or a picture, and maybe you would say you could not make a judgment, or it would be unfair to make a judgment on any one, but if you had seven or eight criteria, and you had the whole thing, generally you would hit the mark pretty close.

Dr. ORLANS. And give the school the freedom to explain these statistics that appear to do them injury.

Mr. HICKS. Mr. Graham?

Mr. GRAHAM. Do either of you gentlemen have an opinion on this bonding proposal by Congressmen Bell and Pettis?

Dr. ORLANS. I think it is useful, but again, it is helping big business. In fact, in New York, where they had such a law, they reduced the bond that was required, because the very small school that they wanted to help could not raise the money.

Mr. GRAHAM. Do you share some of our concern about this direct lender provisions in the law?

Dr. ORLANS. You mean the lending schools?

Mr. GRAHAM. Where schools can now lend money directly.

Dr. ORLANS. I understood that was one area in which the Office of Education people had begun to do something, and to tighten the regulations. They felt they had authority. For whatever reasons, they did do something to tighten up on the direct lender schools. However, the schools that were disqualified as direct lenders of course remain in the loan program indirectly.

I have heard it suggested that one ultimate solution which is unlikely to be bought by the Congress is to change the holder-in-due-course doctrine, so that the schools could not simply sell paper and no longer be responsible for giving honest value, and the student who had a rightful complaint could go to court and be a more equal party in the transaction. But that raises more questions than you might want to get into.

Mr. GRAHAM. We understand that the Office of Education is about to hire 200 collection agents to collect delinquent loans from students. Do you have any thoughts about that?

Dr. ORLANS. I wish they would hire a few to go after the delinquent school owners.

Mr. GRAHAM. I have no further questions.

Mr. HICKS. Dr. Orlans, can we conclude from your statement that you think the Federal Government is loading too much on the back of the private accrediting agency?

Dr. ORLANS. Yes. I do not see why they need to be given more than the extremely valuable right to make their members eligible. That is a very great gift.

Beyond that, it seems to me they deserve no privileges, no special exemptions such as they receive in the permission to have their own tuition refund policy rather than some uniform policy. The Government, in turn, is simply derelict in not setting forth any additional requirements that may be necessary to discharge its program responsibilities.

The accrediting agencies have a different perspective. We are better off with them, but we will be no better off if they become agents of the Government.

Mr. LUMAN. In a world in which everything ran right, if that were so, do you see us having schools that were accredited, schools that were eligible for funded students, some accredited and some not eligible, and some eligible and not accredited?

Dr. ORLANS. And some accredited that were kicked out. At present, it is a one-way street, and the only way in which they are removed from eligibility from this insured loan program is by the agency withdrawing accreditation.

Well, that burden should not be put on them, and they should not have to go through 1 year, 2 years' due process to do the Government's job.

Mr. LUMAN. You think it is a weak excuse for the Government to say we told their accrediting agency about it, and we are waiting for them to do something about it?

Dr. ORLANS. Yes, indeed.

Mr. LUMAN. I would like both of you to comment on this. Do you think that perhaps the major problem in this area—and I am sure some of the deficiencies are due to the students as well as the schools—is that of disclosure, of not getting enough information, enough truth before the student, about what he is going into, what he can expect?

Dr. ARNSTEIN. Yes, and not only that, there is no single visible place for him to complain. The list of agencies to which he might complain leads to fragmentation and difficulty in identifying who the abusers are.

The questions earlier were how many complaints does the Federal Trade Commission receive, how many the Veterans' Administration, how many the Office of Education, to which we could add the State licensing bodies, the accrediting bodies, the individual schools, the Better Business Bureau, the chambers of commerce. The result is that there is nobody in charge, nobody to consolidate this information, and to help to pinpoint where the malfunction occurs.

Dr. ORLANS. That is one major problem.

Mr. LUMAN. Let me ask you, to your knowledge, do they ever have a followup with a big group of students, to say what happened to you in your use of VA money, what did you think of the school, and so forth?

I know the General Accounting Office has done this, but has the VA, has the Office of Education?

Dr. ARNSTEIN. I know that a representative of the Veterans' Administration testified that the Congress had not intended the mission of the administrative agencies to be one of evaluation. He then seemed to imply that he wished the Congress would tell the VA to do some evaluation. But there are no such data now, only grossly incomplete data. Much as I like the GI bill, I am a beneficiary of it, the truth of the matter is that the evidence that the GI bill is the greatest thing since apple pie is not conclusive and does not exist.

Mr. HICKS. Thank you, gentlemen.

The subcommittee will now adjourn until tomorrow morning at 9:30.

[Whereupon, at 12:05 p.m., the subcommittee adjourned, to reconvene at 9:30 a.m., Wednesday, July 17, 1974.]

PROPRIETARY VOCATIONAL SCHOOLS

WEDNESDAY, JULY 17, 1974

HOUSE OF REPRESENTATIVES,
SPECIAL STUDIES SUBCOMMITTEE
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:30 a.m., in room 2247, Rayburn House Office Building, Hon. Floyd V. Hicks (chairman of the subcommittee) presiding.

Present: Representatives Floyd V. Hicks, John W. Wydler, Ralph S. Regula, and Joel Pritchard.

Also present: Joseph C. Luman, staff director; James L. Gyory, staff investigator; and Lawrence T. Graham, minority professional staff, Committee on Government Operations.

Mr. HICKS. The subcommittee will be in order.

This morning, we will hear from Mr. Joseph A. Clark, who represents the National Association of State Administrators and Supervisors of Private Schools, as well as being an agency commissioner in his own State of Indiana.

Mr. Clark will discuss with us the role the States are playing now, and what can be done to make them more effective in protecting students from abuse. That role was mentioned yesterday in our first day of hearings on proprietary vocational schools.

Mr. Clark, if you will come forward and proceed in any way that you wish. You are here alone—you are not accompanied by a lot of staff?

STATEMENT OF JOSEPH A. CLARK, PRESIDENT, NATIONAL ASSOCIATION OF STATE ADMINISTRATORS AND SUPERVISORS OF PRIVATE SCHOOLS

Mr. CLARK. We have a very small budget, Mr. Chairman. We don't have much of a staff.

I do have a statement that I would like to read from this morning to set the tone for this. I believe you have copies or should have copies up there.

Mr. Chairman, I wish to thank you and the committee for allowing me to be here today and discuss with you and the committee some of the concerns that we, who are members of the National Association of State Administrators and Supervisors of Private Schools and charged in our respective States with the responsibility of regulating proprietary schools, have concerning the proprietary industry and its problems today.

Since the end of World War II, we have seen a proliferation of occupational or career schools. Parenthetically, we have seen the rise of fraudulent unethical operations as well. The institutions who offer fine proprietary programs and provide an invaluable service and training to the young people in the various States in this country should be encouraged both in their operation and growth.

However, the reputation and service of these schools is endangered by the existence of a number of fraudulent educational operations who annually swindle the public out of both money and hope. The continued existence of these fraudulent vocational and academic schools is not only a discredit to the people of this Nation, but a black eye that must be borne by the operators of legitimate schools as well. A black eye that causes high school counselors to prevent the trade, vocational, business, or technical school from using public school counseling facilities to meet potential students. A black eye that indiscriminately lumps all correspondence education into the diploma mills category. A black eye that categorizes all resident schools as being fraudulent and luring the unsuspecting to their premises by using extravagantly fraudulent claims for which they receive an inferior education.

As thousands of trade, technical, business, and correspondence schools sprang up around America immediately after World War II, the Federal Government stood by powerless to act directly in combating fraud. It did though react in two ways; first, it encouraged the States to deal directly with the educational frauds; and second, to allow Federal funds to be spent only in schools approved by the Veterans' Administration. The States unfortunately did not respond quickly. So from this chaos of duty unfulfilled, emerged a wealth of peer associations attempting to bring into line the proprietary school.

Education is the inescapable responsibility of the State. Dominion over education was not delegated to the Federal Government by the Constitution, but rather was reserved to the State. Therefore, when the citizen of a State is victimized by a minority of educational frauds, it is the responsibility of the people of that State through their legislature to see that the rights of a citizen to seek self-improvement through education is maintained. And, that the rights of the legitimate school operator to seek protection from the results of the fraud of others is also maintained.

In the last 6 years, we have seen a great surge by State governments to regulate the proprietary school industry. Some 36 States—and Mr. Chairman, I would say there are about 6 States in the wings and some States are getting their legislation improved, so we have about 42 of the 50 States—today exercise authority over these schools. To this we add the work of the accrediting bodies, approved by the Office of Education, and the course approvals granted by the Veterans' Administration. In addition, we have seen a rise in the consumer protection movement and with it a surge of new consumer protection agencies throughout the Nation.

Mr. Hicks. Are you talking about State again, or are you talking about both State and national?

Mr. Clark. State and national.

Consumer protection agencies created by private business and private industry. Again, the chaos of duty unfulfilled, has created a staggering amount of protection, unfortunately, it seems, the protection is sometimes misdirected.

In March of 1974, in Denver, Colo., the education commission of the States along with the U.S. Departments of Health, Education, and Welfare, Defense, Interior, Labor, and the Veterans' Administration held a consumer protection in postsecondary education conference. It is important to note here today, especially as we look at the proprietary school that this conference was aimed at the abuses in the total area of postsecondary education. U.S. Representative Patricia Schroeder, of Colorado, said in her keynote address:

> I always thought education was something you could never get enough of—especially in today's economy where you might as well stay in school because there aren't any jobs anyway. Not something to be protected against. Are the college dean and the proprietary school owner about to replace the used car dealer (and) the aluminum siding salesman as the target of consumer anger and the butt of vaudevillian jokes?

For the first time, Mr. Chairman, it was publicly acknowledged that consumer abuses happen not only at ABC Computer School accredited by the National Association of Trade and Technical Schools but at Behemoth University accredited by the North Central Association. It is important that we remember, for it is important that we stop attacking the proprietary industry as being composed of charlatans and bunko artists. It just isn't so. Before I mention what we in the States have not done, what the Federal Government has not done, and the peer associations have not done, I would, for the record, like to say what the proprietary schools have done.

The proprietary schools have been in this country for over 200 years; in my own State, Indiana, for over 100 years. The proprietary school has pioneered new courses, refined and introduced them more quickly than colleges and universities were able to do. They have proven that you can make education profitable and still turn out top-quality graduates. They have demonstrated time after time that education is a marketable product and that the better that product has been trained, the more quickly the market wants and demands that product.

They have proven to the colleges and universities of the country that people want, expect and need education that prepares them for job immediacy. To prove the last point, all one needs to do is check the rise of occupational or career courses now being offered by colleges and universities today. It is time that we call to the attention of the American consumer that there are good schools out there and that they do good creditable training. It is time that we allocate time, money and manpower to assist the proprietary industry. For it seems to me, that those of us in State and Federal Government forget that they, the good schools, are part of our constituency and are entitled to the same protection that we offer to others.

Therefore, we in the National Association of State Administrators and Supervisors of Private Schools object strongly to the program such as was instituted by the Federal Trade Commission to alert the public to the proprietary schools. We applaud their efforts. For in the final analysis, we are both after the same thing. We would hope though that the Federal Trade Commission could tell the story of the good being done while quietly voiding the industry of the bad. For the FTC itself is not being honest with the American consumer when it does not tell them that it has no control over postsecondary colleges and universities, and thereby creates the image that they are after the one main culprit in American education, the proprietary school.

Sometimes in the defense of our own justification, we utilize the weapons of our avowed enemy; deception, half-truths, innuendoes, and dum-dum bullets. In the case of the Federal Trade Commission, their generals have substituted the dum-dum bullets for well known personalities whose words explode in the minds of the consumer; killing unfortunately, that person's attempt to obtain a good education. If the FTC would work with the States, as its leaders say it does, then more could be accomplished, without putting the scarlet brand on an entire industry.

The National Association of State Administrators and Supervisors of Private Schools was founded in Washington, D.C., in March of 1972. The association was designed to provide a platform whereby those men and women from the various States in the country who regulated proprietary schools could come together to discuss mutual concerns. It was also designed to work out new legislation to provide assistance to those States in the country who did not possess legislation, or who perhaps were interested in streamlining the legislation that they possessed. And, it was to provide a voice for those of us in the States assigned the responsibility of dealing with the proprietary schools. A voice that could be raised to counter some of the objections that we have against the shortcomings, not only in the Federal Government and the peer bodies but within our States.

In late August or early September of this year, our association will be publishing six position papers. These position papers will deal with the following topics:

1. A position on abuses in the FISL loan program.
2. A position on the Office of Education's lack of policing the agencies it accredits.
3. A position on desired financial stability for proprietary schools.
4. A position on standardization of agent's forms. This I would add, is an attempt to standardize the many kinds of forms and procedures used by the States.
5. A position on the Mondale amendment. We are asking that in the Mondale amendment, both the words "public" and "private" be inserted.
6. A position on correspondence education. It is our concern as State administrators that certain problems inherent in the correspondence education industry must be directed to bring both stability to that industry and to provide protection for the consumer.

The national association believes in what it calls the triangle of assistance. That is, the States doing the job they and only they can do. The work that the Federal Government can do and the work the peer associations do. Each doing its job together can help present to the public a better, more viable kind of education in the proprietary field.

We believe that what is needed is more regulation, not coercion. That we need more leadership, more self-evaluation and persuasion. We know that we in the States have not taken our rightful position in this field of education. We also know that we in the States are creatures of our own legislatures and politics. We know that if we are not given enough money and manpower, to do the job we must do, then someone else will do it.

It is because of this very lack of leadership, money and manpower that associations such as NATTS, NHSC, and AICS moved into the field of accrediting private proprietary schools. If they are to do their job and do it free from criticism, then they must be more forcible in dealing with errant members of their industry. Accreditation as given by them must be more than a handshake, a promise to do better, and selective bargaining. Each association must eradicate the sometimes cavalier and arrogant behavior of their own membership. We know that it is difficult. We know that peer accreditation is a voluntary act and this limits the kind of discipline they issue. Yet, if they in turn are watched by the Office of Education, then perhaps they, the Office of Education should be more forceful in their actions against the accrediting bodies.

The Office of Education is understaffed, this is a fact, but should not be an excuse. The Veterans' Administration is affected by concrete laws that are difficult to change. This is a fact, but should not be an excuse for not attempting needed change. The States are slow in getting their legislatures to act yet this should not be an excuse for lack of action. The Federal Trade Commission is acting but usually slow in its action because of the tedious and ponderous investigations and hearings it performs.

Therefore, where do we stand? We stand on a threshold of watching an industry flounder in a tarpit of control. Proprietary education has proven that it can do the job. It has proven it can be and is, in many instances, the model for other areas of education to follow. If this be true, where then is the culprit or culprits who have brought us to this hearing today? The culprits are few but their deeds many. The culprits are the States, the Federal Government, the peer associations and a word. The word is accreditation. Accreditation is symbolic of respectability. Once attained, the school assumes the mantle of piety, for it now is accredited. It opens its doors and the potential consumer enters to receive his education free from fear, safe in the knowledge that what he receives is relevant, accountable and timely.

In fact, accreditation is only the meeting of minimal standards and a charge hopefully, to move upward and onward. Accreditation is not necessarily accountability. That is what is needed. The schools have been forced into accreditation by accrediting bodies and the general public. They have sought it for money and survival. Schools have been drummed out of the educational community for not having it. And, we the American public, have been the loser.

Until we fully understand accreditation, and identify what must come after, we will not have given the American people the one thing they need—accountability.

The States only recently have taken steps to provide leadership in the field of proprietary education. Some States have strong statutes to protect the educational consumer and the ethical operator. Some have no standards. Yet, even some of the strong ones have almost forced out the ethical school by the selfsame standards. It is proof that for every attendant good, there is an attendant evil. Some States have laws that are almost comical. They have boards and commissions regulated almost exclusively by the industry. This of course is bad and limits the State's ability to protect and promote proprietary education.

As previously mentioned, all States are still victims of their own politically active legislatures which can limit funds, manpower, and potential. Yet, we see in the ranks of NASASPS a glitter of hope on the horizon, a new spirit of cooperation among its member States. If it can do but one thing and that is unite the States in an attempt to standardize laws and purpose, then it will have been a great success.

The U.S. Office of Education has been limited in its usefulness by the very laws that created it. If the USOE is not given extended authority to discipline the bodies that it accredits, then it will not be able to do more than shuffle papers, hold occasional meetings but not be able to discipline. Strong pressure from educational lobbyists will see to it that no progress is made. If this happens then perhaps we shall see the creation of a superbureaucracy which will accredit all institutions, and supersede all existing approval institutions, both State and peer. This would be unconscionable if it were allowed to happen. In the same manner the Veterans' Administration is hampered by rules and regulations. If the Veterans' Administration is not given relief and allowed to change then we will see more problems affecting the educational welfare of the veteran and less streamlining of purpose.

The National Home Study Council, the Association of Independent Colleges and Schools, and the National Association of Trade and Technical Schools must submit to their shortcomings. That is, they must rigidly enforce their accreditation. They can no longer say that it is impossible. They can no longer hide behind the excuse of potential litigation. For each excuse, each episode of inactivity only makes the case for respectability harder for them to explain. The articles that appeared in the Boston Globe, the Reader's Digest, and the Washington Post did have merit. There are abuses and these abuses are being made by the accredited schools, too. That the correspondence industry is being looked at as a giant rip-off is a fact and it hurts.

I am not certain what has been said by the witnesses that appeared before me concerning the scope of the problem in the country, so with your indulgence, I would like to use my State, Indiana, as an example. Since our agency came into existence in April of 1971, we have regulated 558 proprietary institutions, 276 of those are no longer doing business in our State. In 1973, we had problems of inconvenience to fraud with 8 percent of the schools doing business in the State. I do not see 8 percent as constituting a clear and present danger to the American people. For, of that total, 0.02 percent were hardcore fraud cases, one being a fraudulent truckdrivers school.

Therefore, the "hurt" to which I alluded a moment ago is obvious. The 92 percent of the schools operating free and clear of serious problems must suffer an outraged citizenry who has been led to believe that all are fradulent and, at best, poor.

Mr. HICKS. You jumped to 92 percent there, but you cut out 50 percent before you started working on the 92 percent.

Mr. CLARK. That's right. Part of the number that we cut out were those who were problem schools. Some of them were schools, Mr. Chairman, who decided they did not wish to stay in business any longer when they saw the law. Some were institutions which had been small mother and father operations and had gone out because of the economy, so of that 558 we just cut about 50 percent. Of the remaining 50 percent, 8 percent of that were schools who had problems of inconvenience to fraud, and I say inconvenience because some of the problems were situations of misunderstanding between the students and the institutions on contracts, or vice versa.

Mr. HICKS. Do you think Indiana may be typical of the rest of the country?

Mr. CLARK. I would like to think so. I would qualify that though. We're right in the Great Lakes region. We know that a great preponderance of the proprietary schools are located in this area. All the correspondence industry, primarily are in the Chicago area, most of them. We have a great number of trade and technical schools in our State, and moving through these States, because historically in proprietary education this part of the Midwest was a good testing ground for new courses.

So I would think we were typical, but I also understand where we have States with no law, we don't know what's happening, but I do not believe, sir, that the numbers that we are talking about are as large as we are sometimes led to believe.

Mr. LUMAN. These 500 schools are based in Indiana, or are they doing business in Indiana?

Mr. CLARK. Both.

Mr. LUMAN. So some of these schools were not Indiana schools. They were schools that had students who lived in Indiana.

Mr. CLARK. That's right. They were working through our State. We regulate both—any school doing business in our State must come under the auspices of our commission, if they are doing systematic business.

So of this 558, some were located in the State, some were outside the State, but were systematically working the State. Yet that hurt has still more far-reaching effects than they may think. As the States become stronger, as more obtain laws, and hence regulate the industry, the reason for having accreditation becomes more obscure in the minds of many people. The worst crime that could happen would be the demise of the peer accrediting bodies. For they along with the States and the Federal Government provide the accountability so desperately needed.

When one drops a stone into a pond the ripples expand to all banks. Such then becomes the problem when we indiscriminately, at the Federal or State level, assault the industry. That there is good in the industry is well documented. That there is bad in the industry is well documented. So, therefore, what then must we do?

Historically, there has been a delineation of authority between who can license, approve or accredit.

Historically, as we've already mentioned where States have not taken the initiative to provide leadership, they have forced other agencies either Federal or private to assume their leadership role.

The question is who will control? By what will they control? And why will they control? We must be suspect of those seeking Federal accreditation so vehemently since the important question is: "Do we wish that accreditation for the respectability and accountability which it may provide or for the dollars it can surely provide?"

To say that States may only license or approve is to presuppose that the States can never realize or meet their obligations. To say that independent peer associations can adequately do the job is to presuppose a level of competency that can be reached but often is not. Even peer evaluations must have reliable safeguards. To say that a rise of a more broadened Federal bureaucracy will bring a solution is not a certainty. Each of us, who has testified here has indicated that one or the other is the culprit. Each of us has been criticized by other sources, including educators and the media as demonstrating again and again a mutual distrust and criticism. It is amazing that anyone would expect unanimity of opinion from us on this issue. Simply, we see ourselves as the saviour of the American educational consumer from the chaos of duty unfulfilled. But, there is a unanimity of opinion. We all want accountability.

We in NASASPS have no ox to gore. We feel we must be the front line of defense. We want accountability, and we demand assistance from the applicable Federal agency.

Until such times as all parties can approach the table with the understanding that all suggestions even those seemingly incongruous at the time, are valid concerns, will we be able to arrive at a joint partnership in educational accountability. We would say again that we must not forget the good contributions made by the proprietary school industry. We must remember that education can be profitable and still provide sound education; we must remember that the industry is part of our constituency and also needs protection; and that it is essential to our American education system to help provide for the continuance of exemplary and accountable proprietary education.

We in the National Association of State Administrators and Supervisors of Private Schools believe in the triangle of assistance. We believe in each doing his own job in the manner that brings the desired results and accountable objectives.

We thank you for the time you and your committee has graciously given us and we pledge our association to better both educational consumer protection and accountable and exemplary education.

[Mr. Clark's prepared statement follows:]

Prepared Statement of Joseph A. Clark, President, National Association of State Administrators and Supervisors of Private Schools

Mr. Chairman, I wish to thank you and the committee for allowing me to be here today and discuss with you and the committee some of the concerns that we, who are members of the National Association of State Administrators and Supervisors of Private Schools and charged in our respective States with the responsibility of regulating proprietary schools, have concerning the proprietary industry and its problems today.

Problems which also touch those of us in State government as we work with the Federal Government, the Federal Government with the peer associations, the peer associations as they work with both the Federal and State government.

Since the end of World War II, we have seen a proliferation of occupational or career schools. Parenthetically, we have seen the rise of fraudulent unethical operations as well. The institutions who offer fine proprietary programs and provide an invaluable service and training to the young people in the various States in this country should be encouraged both in their operation and growth.

However, the reputation and service of these schools is endangered by the existence of a number of fraudulent educational operations who annually swindle the public out of both money and hope. The continued existence of these fraudulent vocational and academic schools is not only a discredit to the people of this Nation, but a black eye that must be borne by the operators of legitimate schools as well. A black eye that causes high school counselors to prevent the trade, vocational, business, or technical school from using public school counseling facilities to meet potential students. A black eye that indiscriminately lumps all correspondence education into the diploma mill category. A black eye that categorizes all resident schools as being fraudulent and luring the unsuspecting to their premises by using extravagantly fraudulent claims for which they receive an inferior education.

As thousands of trade, technical, business and correspondence schools sprang up around America immediately after World War II, the Federal Government stood by powerless to act directly, in combating fraud. It did though react in two ways: First, it encouraged the States to deal directly with the educational frauds; and secondly, to allow Federal funds to be spent only in schools approved by the Veterans' Administration. The States unfortunately did not respond quickly. So from this chaos of duty unfulfilled, emerged a wealth of peer associations attempting to bring into line the proprietary school.

Education is the inescapable responsibility of the State. Dominion over education was not delegated to the Federal Government by the Constitution, but rather was reserved to the State. Therefore, when the citizen of a State is victimized by a minority of educational frauds, it is the responsibility of the people of that State through their legislature to see that the rights of a citizen to seek self-improvement through education is maintained. And, that the rights of the legitimate school operator to seek protection from the results of the fraud of others is also maintained.

In the last six years, we have seen a great surge by State governments to regulate the proprietary school industry. Some 36 States today exercise authority over these schools. To this we add the work of the accrediting bodies, approved by the Office of Education, and the course approvals granted by the Veterans' Administration. In addition, we have seen a rise in the consumer protection movement and with it a surge of new consumer protection agencies throughout the Nation; consumer protection agencies created by private business and private industry. Again, the chaos of duty unfulfilled, has created a staggering amount of protection, unfortunately, it seems, the protection is sometimes misdirected.

In March of 1974, in Denver, Colorado, the Education Commission of the States along with the United States Departments of Health, Education, and Welfare, Defense, Interior, Labor and the Veterans Administration held a consumer protection in postsecondary education conference. It is important to note here today, especially as we look at the proprietary school that this conference was aimed at the abuses in the total area of postsecondary education. United States Representative Patricia Schroeder of Colorado said in her keynote address:

"I always thought education was something you could never get enough of—especially in today's economy where you might as well stay in school because there aren't any jobs anyway. Not something to be protected against. Are the college dean and the proprietary school owner about to replace the used car dealer (and) the aluminum siding salesman as the target of consumer anger and the butt of vaudevillian jokes?"

For the first time, Mr. Chairman, it was publically acknowledged that consumer abuses happen not only at ABC Computer School accredited by the National Association of Trade and Technical Schools but at Behemoth University accredited by the North Central Association. It is important that we remember, for it is important that we stop attacking the proprietary industry as being composed of Charlatans and Bunko artists. It just isn't so. Before I mention what we in the States have not done, what the Federal Government has not done, and the Peer Associations have not done, I would, for the record, like to say what the proprietary schools have done.

The proprietary schools have been in this country for over 200 years; in my own State, Indiana, for over 100 years. The proprietary school has pioneered new courses, refined and introduced them more quickly than colleges and universities were able to do. They have proven that you can make education profitable and still turn out top quality graduates. They have demonstrated time after time that education is a marketable product and that the better that product has been trained, the more quickly the market wants and demands that product.

They have proven to the colleges and universities of the country that people want, expect and need education that prepares them for job immediacy. To prove the last point, all one needs to do is check the rise of occupational or career courses now being offered by colleges and universities today. It is time that we call to the attention of the American consumer that there are good schools out there and that they do good creditable training. It is time that we allocate time, money and manpower to assist the proprietary industry. For it seems to me, that those of us in State and Federal Government forget that they, the good schools, are part of our constituency and are entitled to the same protection that we offer to others. Therefore, we in the National Association of State Administrators and Supervisors of Private Schools object strongly to the program such as was instituted by the Federal Trade Commission to alert the public to the proprietary schools. We applaud their efforts. For in the final analysis, we are both after the same thing. We would hope though that the Federal Trade Commission could tell the story of the good being done while quietly voiding the industry of the bad. For the FTC itself is not being honest with the American consumer when it does not tell them that it has no control over postsecondary colleges and universities, and thereby creates the image that they are after the one main culprit in American education, the proprietary school.

Sometimes in the defense of our own justification, we utilize the weapons of our avowed enemy: deception, half-truths, innuendoes and dum-dum bullets. In the case of the Federal Trade Commission, their generals have substituted the dum-dum bullets for well known personalities whose words explode in the minds of the consumer; killing, unfortunately, that person's attempt to obtain a good education. If the FTC would work with the States, as its leaders say it does, then more could be accomplished, without putting the scarlet brand on an entire industry.

The National Association of State Administrators and Supervisors of Private Schools was founded in Washington, D.C. in March of 1972. The Association was designed to provide a platform whereby those men and women from the various States in the country who regulated proprietary schools could come together to discuss mutual concerns. It was also designed to work out new legislation to provide assistance to those States in the country who did not possess legislation, or who perhaps were interested in streamlining the legislation that they possessed. And, it was to provide a voice for those of us in the States assigned the responsibility of dealing with the proprietary schools. A voice that could be raised to counter some of the objections that we have against the shortcomings, not only in the Federal Government and the peer bodies but within our own States.

In late August or early September of this year, our Association will be publishing six position papers. These position papers will deal with the following topics:

1. A position on abuses in the FISL loan program.
2. A position on the Office of Education's lack of policing the agencies it accredits.
3. A position on desired financial stability for proprietary schools.
4. A position on standardization of agent's forms (this I would add, is an attempt to standardize the many kinds of forms and procedures used by the States).
5. A position on the Mondale amendment. (We are asking that in the Mondale amendment, both the words public and private be inserted.)
6. A position on correspondence education. (It is our concern as State administrators that certain problems inherent in the correspondence education industry must be directed to bring both stability to that industry and to provide protection for the consumer.)

The national association believes in what it calls the triangle of assistance. That is, the States doing the job they and only they can do. The work that the Federal Government can do and, the work the peer associations can do. Each doing its job together can help present to the public a better, more viable kind of education in the proprietary field. We believe that what is needed is more regulation not coercion. That we need more leadership, more self-evaluation and persuasion. We know that we in the States have not taken our rightful position in this field of education. We also know that we in the States are creatures of our own legislatures and politics. We know that if we are not given enough money and manpower, to do the job we must do, then someone else will do it.

It is because of this very lack of leadership, money and manpower that associations such as NATTS, NHSC, and AICS moved into the field of accrediting private proprietary schools. If they are to do their job and do it free from criticism, then they must be more forcible in dealing with errant members of their industry. Accreditation as given by them must be more than a handshake, a promise to do better, and selective bargaining. Each association must eradicate the sometimes cavalier and arrogant behavior of their own membership. We know that it is difficult. We know that peer accreditation is a voluntary act and this limits the kind of discipline they issue. Yet, if they in turn are watched by the Office of Education, then perhaps they, the Office of Education should be more forceful in their actions against the accrediting bodies. The Office of Education is understaffed, this is a fact, but should not be an excuse. The Veterans' Administration is affected by concrete laws that are difficult to change. This is a fact, but should not be an excuse for not attempting needed change. The States are slow in getting their legislatures to act yet this should not be an excuse for lack of action. The Federal Trade Commission is acting but usually slow in its action because of the tedious and ponderous investigations and hearings it performs.

Therefore, where do we stand? We stand on a threshold of watching an industry flounder in a tarpit of control. Proprietary education has proven that it can do the job. It has proven that it can be and is, in many instances, the model for other areas of education to follow. If this be true, where then is the culprit or culprits who have brought us to this hearing today. The culprits are few but their deeds many. The culprits are the States, the Federal Government, the peer associations and a word. The word is accreditation. Accreditation is symbolic of respectability. Once attained, the school assumes the mantle of piety, for it now is accredited. It opens its doors and the potential consumer enters to receive his education free from fear, safe in the knowledge that what he receives is relevant, accountable and timely. In fact, accreditation is only the meeting of minimal standards and a charge hopefully, to move upward and onward. Accreditation is not accountability. That is what is needed. The schools have been forced into accreditation by accrediting bodies and the general public. They have sought it for money and survival. Schools have been drummed out of the educational community for not having it. And, we the American public, have been the loser.

Until we fully understand accreditation, and identify what must come after, we will not have given the American people the one thing they need—accountability.

The States only recently have taken steps to provide leadership in the field of proprietary education. Some States have strong statutes to protect the educational consumer and the ethical operator. Some have no standards. Yet, even some of the strong ones have almost forced out the ethical school by the selfsame standards. It is proof that for every attendant good, there is an attendant evil. Some States have laws that are almost comical. They have boards and commissions regulated almost exclusively by the industry. This of course is bad and limits the State's ability to protect and promote proprietary education. As previously mentioned, all States are still victims of their own politically active legislatures which can limit funds, manpower, and potential. Yet, we see in the ranks of NASASPS a glitter of hope on the horizon; a new spirit of cooperation among its member States. If it can do but one thing and that is unite the States in an attempt to standardize laws and purpose, then it will have been a great success.

The United States Office of Education has been limited in its usefulness by the very laws that created it. If the USOE is not given extended authority to discipline the bodies that it accredits, then it will not be able to do more than shuffle papers, hold occasional meetings but not be able to discipline. Strong pressure from educational lobbyists will see to it that no progress is made. If this happens then perhaps we shall see the creation of a superbureaucracy which will accredit all institutions, and supersede all existing approval institutions, both State and peer. This would be unconscionable if it were allowed to happen. In the same manner the Veterans' Administration is hampered by rules and regulations. If the Veterans' Administration is not given relief and allowed to change then we will see more problems affecting the educational welfare of the veteran and less streamlining of purpose.

The National Home Study Council, the Association of Independent Colleges and Schools and the National Association of Trade and Technical Schools must submit to their shortcomings.

That is, they must rigidly enforce their accreditation. They can no longer say that it is impossible. They can no longer hide behind the excuse of potential litigation. For each excuse, each episode of inactivity only makes the case for respectability harder for them to explain. The articles that appeared in the Boston Globe, the Reader's Digest, and the Washington Post did have merit. There are abuses and these abuses are being made by the accredited schools, too. That the correspondence industry is being looked at as a giant rip-off is a fact and it hurts.

I am not certain what has been said by the witnesses that appeared before me concerning the scope of the problem in the country, so with your indulgence, I would like to use my State, Indiana, as an example. Since our agency came into existence in April 1971, we have regulated 558 proprietary institutions, 276 of those are no longer doing business in our State. In 1973, we had problems of inconvenience to fraud with 8% of the schools doing business in the State. I do not see 8% as constituting a clear and present danger to the American people. For of that total .02% were hard core fraud cases.

Therefore, the "hurt" to which I alluded a moment ago is obvious. The 92% of the schools operating free and clear of serious problems must suffer an outraged citizenry who has been led to believe that all are fraudulent and at best poor. Yet that hurt has still more far-reaching effects than they may think. As the States become stronger, as more obtain laws, and hence regulate the industry, the reason for having accreditation becomes more obscure in the minds of many people. The worst crime that could happen would be the demise of the peer accrediting bodies. For they along with the States and the Federal Government provide the accountability so desperately needed. Until those men who compose the governing boards of the three accrediting bodies realize that each event affects the industry, they will continue to have problems. No situation happens in isolation. It is the industry that suffers and it must be the industry that makes the changes.

When one drops a stone into a pond the ripples expand to all banks. Such then becomes the problem when we indiscriminately, at the Federal or State level, assault the industry. That there is good in the industry is well documented. That there is bad in the industry is well documented. So, therefore, what then must we do?

Historically, there has been a delineation of authority between who can license, approve or accredit. Historically, as we've already mentioned where States have not taken the initiative to provide leadership, they have forced other agencies either Federal or private to assume their leadership role.

The question is who will control? By what will they control? And why will they control? We must be suspect of those seeking Federal accreditation so vehemently since the important question is: "Do we wish that accreditation for the respectability and accountability which it may provide or for the dollars it can surely provide?"

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We thank you for the time you and your committee has graciously given us and we pledge our association to better both educational consumer protection and accountable and exemplary education.

Mr. Hicks. Thank you very much, Mr. Clark.

We were trying, or at least I was trying yesterday to get an idea, rough though it would be, of what might be the number of legitimate schools and those that were fly-by-night or tended to cut corners. We really didn't get even a ballpark figure—maybe somebody speculated 20 percent, 10 percent. I think we all had the feeling that far more of them were trying to do some kind of an educational job than those who were not, and that's why your figure this morning, 92 percent, is interesting. But that's after a pretty good shakeout job.

Mr. Clark. Yes, sir. That was needed, because of—well, unfortunately, in 1960 the State of Indiana had about 25 percent of all the diploma mills in the United States in Indianapolis, and that's a figure we don't really like to talk about, but it was because of those kinds of things. We had some pretty lousy ones there, and we had to get rid of some, and some of them we were directly responsible for, some decided they had best not come up against the law, others because of economic reasons, so we kind of lumped them all into the 276.

Mr. Hicks. Mr. Luman was just mentioning to me that you have a statute in Indiana that you think helps the student who may have, at least in the worst cases, a complaint of fraud. If he signs some kind of a note or contract with a school you do not recognize, it is, under Indiana law, not enforceable, is that it?

Mr. Clark. Yes.

Mr. Hicks. Well now, you spoke about uniting the States in this manner—when you say unite, do you mean with minimum standards of enforcement, for supervision anyway?

Mr. Clark. We know that it will be impossible for all 50 States to be identical.

All the people in the organization are States righters, and we have our own political situations to overcome in the States, but what we are seeking is a standardization in terms of bringing together certain kinds of continuity within the law.

Now, the ECS has come up with model legislation. We are working on model legislation. We are attempting to work out and have signed bistate agreements between various States—Minnesota-Illinois, Illinois-Indiana. We are trying to make the same thing in moving across the country, the same kind of penalties, the same kind of basic requirements in the law.

We are doing this for two reasons. One, we feel that we are the ones who must be the frontline of defense for everyone.

Mr. Hicks. You're not espousing the uniform law though, like the uniform commercial code?

Mr. Clark. No; only uniform in terms of the law, it would have certain uniform sections to it.

It would then be up to the individual State either to accept or reject in their legislatures, how they wanted those particular sections worked.

Mr. Hicks. Well, I assume that's the way a uniform law of any kind that's espoused among the States works—they can accept it or reject it.

Mr. Clark. True.

Mr. Hicks. But certain sections you try to get through all of them.

Mr. Clark. Yes; we're trying to get them to have these things. We're the only State, for instance, in the Nation that has a felony. We have 1 to 10 years, a $5,000 fine when we're working with frauds. This is something we don't like to talk about, because we don't like to add that to the image of the industry.

We have recently invoked that, Mr. Chairman. We know of a company in this country—that I will not name—who is sitting now with about $160,000 worth of worthless paper, because under our statute, if a student is signed by the representative school not having status with the State, that contract was null and void.

We can save the student that extra money. What is difficult sometimes, even with bonding, is to get the front money back that the student may put out, so we try to warn the consumer not to do anything with an institution until he has checked its status, and in this regard, we worked extremely close with the accrediting bodies, and with local business, better business bureaus, and chambers of commerce, and counselors to get the word out as to who the good schools are, so that when a student signs up, he is absolutely assured.

Mr. Hicks. Well, it seems to me you're saying we've got a problem in this country, and if we could get all the States to act like Indiana, we could go along pretty well toward getting a handle on them. Still, you're saying to the Federal Government in effect, sort of butt out of this thing.

Mr. Clark. Yes. Well, first, we believe that the States are the ones that ought to do it, but only part of it, Mr. Chairman.

And I would add to this that Ohio, Minnesota, Wisconsin, and Illinois have very strong laws, too. We work very closely together. What we are saying is that the States have a responsibility to their constituency. We are there all the time, on the job, providing that we have adequate staff.

We can do the day to day kind of regulation which is necessary. It is important though that the Federal Government have areas of responsibility and concern in this, doing certain things that only the Federal Government can do.

The Federal Trade Commission could be much more effective if it would do some of the things it ought to do, instead of coming into the States unannounced and causing kinds of problems without working with us and without checking with us.

The peer associations, NATTS, Home-Study, AICS, they have a definite role. There are things that they and only they can do. So what we're asking for is, first of all, get the States in line so that we have the continuity, but keep this triangle, each one of us doing that part of the thing necessary to insure that overall the proprietary field is well regulated, so that the kinds of things necessary can be done.

We can go in and constantly check on the accountability of an institution, the national accrediting bodies. This is a peer kind of pressure which they can bring on one another.

The States can say, OK, we're going to regulate you, they can establish a minimum, but then they, their statutes, rules, and regulations constantly have to try to push this up, but the peer associations by their very structure are saying to the schools, once you have it, you keep pushing yourselves up.

The Federal Government can do things in consumer protection that only the Federal Government can do. What we're saying is that we must have this triangle, but we must first of all—and this is what we're trying to do in NASASPS—get the States to do their job, accept their responsibility.

Mr. Hicks. Well, what should the Federal Government do with those agencies, like the Veterans' Administration and the Social Security Administration, that provide such a large amount of funds to the students, or eventually, to these institutions?

Mr. Clark. You say what should they do?

Mr. Hicks. What is their role in this triangle?

Mr. Clark. Well, if they are going to be the dispenser of Federal dollars, then I think they must sit down and look at their own situation in terms of, are we using the right criteria in determining what kind of an institution, or rather, which institution will receive the moneys, or the students that will receive them.

They need to sit down and figure out the kinds of accountability needed for this money that's going out, so that they can assist us and assist the peer bodies in seeing that schools do not base their entire financial future on the kind of Federal dollars that they get.

Mr. Hicks. Can you assist them?

Mr. Clark. Yes; I think we can assist them, because we again can do the initial kind of look at an institution and try to help establish for the Government the kinds of financial stability that is needed, so that the institution doesn't come in and go out because its whole basis was Federal funding.

Mr. Hicks. Excuse me, Mr. Clark, I have to leave.

Mr. Wvdler can continue.

Mr. Wydler. Look, I'm kind of interested in the situation you alluded to before, about the problem you had with what was it, an auto, truckdriver training school? Is this something that happened since your new rules and since your new procedures have been instituted?

Mr. Clark. Yes, sir; it has.

Mr. Wydler. Well, you can talk about this, I imagine. Would you tell me about it? I could understand some of the other things you said much better if you put it in the real world, so to speak, and get out for a while, out of the theoretical problem into the real problems.

So would you just fill me in on who was it, what happened, and when did this happen? Just give me some facts about the situation.

Mr. Clark. All right. The initial problem started in, approximately, October of 1971. It involved a series of operations in Indianapolis, Ind., known as Worldwide Systems, Inc., and Express, Inc. It's documented in the end of the year report that I brought along, which I'll leave with the committee.

What they were doing, they were advertising in help wanted columns in our State, and close to 40 States in the Nation, for truckdrivers, or heavy equipment operators.

The people would contact them and they would say, in essence, for $195 which they explained is a bonding fee, or a good faith fee, that we will get you a job within 50 miles of your home driving a truck or working heavy equipment.

Now, they indicated quickly that there was a little bit of training that was needed, but that that would be provided by the company that you are working for. So people would send in $195, they would send it in by money order or Western Union.

Then they would get some information from this school, indicating that for another $700 they would take their training which would consist of 100 hours of correspondence education, and then they would go to X training institution, where they would be trained, and would then be placed within 50 miles of their homes with XYZ trucking company, or WWW heavy equipment school.

In fact, there was no school. In fact, it was $195 nonrefundable downpayment for a training course. Now, they used, as I recall in the investigation, 22 various DBA's. They had a very fine system, because we spent a year and a half investigating it, and finally had an informant on the inside so we could find out some of the ways they did.

In a period from approximately March the 1st of 1972, until we exposed them in a big press conference and sought litigation in July of 1973, we documented $2.3 million as having been taken from the people.

They did not, of course, get veterans funds because they were unable to get the Veterans' Administration approval, fortunately.

They worked the State very quickly and got out before any of the States could get hold of them. The Federal Trade Commission started to become involved in it, and we had some conversations, and they finally told me, in essence, they couldn't do anything because it would take them too long to do the investigation.

I attempted to get assistance from the Federal Bureau of Investigation, but they weren't interested, so I finally, after a call to this city—and at that time, a very good friend of mine, William Ruckleshaus was the Acting Director of the Federal Bureau of Investigation—I called him and asked him if he would help me by calling the U.S. attorney, which he did, so that we got the postal inspectors going on the thing.

We finally were able to get one prosecution ourself, under our law, and we turned all of our investigation over to the United States attorney. They then came in with, I believe, 60 indictments, and these people were prosecuted in April of this year, and were sentenced to the Federal penetentiary, and I believe it was late April or May of this year that the Federal Trade Commission then came out with a consent order listing the schools and saying that the following schools had problems, and that the big operation was in Indianapolis.

This is after we had completed it, sought their assistance, didn't get it, they said it would take too long.

Mr. WYDLER. If I understand what you are saying, this was just a total fraud.

Mr. CLARK. Total fraud.

Mr. WYDLER. In other words, it wouldn't matter what your rules and regulations were, as a practical matter, these persons weren't trying to abide by the rules and regulations. They were ignoring them.

Mr. CLARK. Yes, sir, and that is the point I would like to make to you, that in an out-and-out fraud, there is nothing that will stop them.

They intend to do only one thing, and that is defraud the people.

Mr. WYDLER. Grab the money and run.

Mr. CLARK. Whereas the schools with which we work, the accredited schools, the schools who make an effort to come under our agency or others, the kinds of problems that we had with the schools accredited by the various accrediting bodies, sometimes there are more problems of inconvenience to the school or the student than the fraud.

Mr. WYDLER. What I'm trying to say, it doesn't matter what rules and regulations you have in that case, because they wouldn't pay any attention to them anyway.

Mr. CLARK. Right.

Mr. WYDLER. So that's a situation that you just have to handle with the normal courts.

But now, when you get down to the case where you're really going to accredit, and the person is going to try to become accredited with this organization, that's where you can pass some useful, helpful legislation.

Mr. CLARK. Yes.

Mr. WYDLER. Now, what bothers me is, I'm not an education person in the sense I really understand what this accreditation is all about, as soon as somebody comes in with a magic wand, say you're a good university or something. How exactly they determine these things has always been a kind of mystery to me, but it's a form of licensing, in effect, that's the way I look at it. This is about what it amounts to. You go in and get certain facts. Like licensing a certain business. You talk about licensing electric contractors or auto mechanics because people get cheated.

They go and they don't get proper service, so then someone proposes we should license the auto mechanics, and that means the public won't get cheated.

Now, is that the same idea, what we're trying to do with accreditation?

Mr. CLARK. No, not really.

I would say to you, sir, that there are three levels in this area, the lowest level being the licensure. It's a very simple thing to get. Sometimes in States, a licensure only meant that you would register in the secretary of state's office to do business.

In some States, a licensure is $5, $10, $25 for a license.

The next step above that is an approval, which means that a certain amount of investigation is done, in terms of the viability of the institution, and this may be an onsite evaluation. It may be a particular form of, you know, 40 or 50 questions with a personal interview by the principals of the business or industry.

The final step, the highest step, philosophically, is accreditation. Accreditation bespeaks the meaning, first of all, of a minimal set of standards, with the understanding that you start going above those standards and reaching higher each year and climbing higher to improve yourself, and accreditation, historically, has been the kind of a thing that we want. We seek it.

We do not seek an approval. We have to get it. We do not seek a licensure. We have to get it. But accreditations we may seek because we want to do better, so accreditation, when we speak in terms of accreditation, we're really speaking about the thing that we are seeking.

Now, I would have to say here, because I know some of my friends are in the audience, I argue with them all the time about the fact that ours is called the Indiana Private School Accrediting Commission, and we accredit, except we don't give you the luxury of wanting the accreditation.

The State tells you that you will have it, so that in the arguments we have, destroys the spirit of accreditation so I say, I do not care what you call it, but we will do the process, because we do the same thing. We send teams of people, anywhere from three to six, to do onsite evaluations.

We look at the financial stability. We look at the courses. We look into the instructor qualifications. We look at every part and parcel of the institution.

This is what is done in a voluntary accreditation. So I guess, what we're saying, the States need to have strong approvals, not licensures, strong approvals. Keep the peer accrediting bodies because this is the thing that we seek, and the Federal Government then can go to the States who do an approval, which should provide you with facts on financial stability and as much as possible on how good that school may be, and then that can be used in a determination for seeking perhaps the issuance of Federal dollars, but an accreditation, if properly done and properly followed is kind of the ultimate for an institution.

Unfortunately, the American consumer doesn't understand accreditation, and they are prone to accept accreditation as meaning total respectability and accountability, and in fact, that isn't true in some cases.

You can be accredited and give lousy courses, because in accreditation or in approval you must systematically and constantly go back and look at that institution.

Mr. Wydler. Mr. Regula?

Mr. Regula. I'm interested in your accreditation procedure. In doing this, do you push to upgrade the courses and is there a danger that you upgrade the product out of the market for a potential student who may be able to get some type of training that will provide him with a useful skill?

Mr. Clark. First of all, we do attempt to raise those standards once we have gone in with the basic standards, and we do this through our rules and regulations under our statute.

I would inject here that we send in, on these teams, experts from business and industry and education where necessary, so that the kinds of people that are looking at the school and what it turns out actually are the people who will be using that product.

We do look at the courses. We do not refuse a course. We look at the courses, we see how well they are structured, but, you know, as a State agency, if somebody wants to come in and start a buggy whip school, we have to let them start a buggy whip school. So we do not attempt to push the school so far that it will not be able to do the job.

We try to be as good as we can in terms of assisting the school in upgrading itself. We have consultants who will work with them in trying to raise the standards.

Mr. REGULA. And you're saying upgrading in terms of the objective of a given course, if it's to be to train someone and make buggy whips, well then you're upgrading the relationship of that and not necessarily communicative skills or some relatively——

Mr. CLARK. Whatever makes that course relevant to people.

Mr. REGULA. OK, plus the fact that the State has an accreditation program, put you in a position then of a responsibility to the students, because the State has said this school is accredited, and, therefore, the student has the right to look to that standard.

Mr. CLARK. Definitely.

Mr. REGULA. As giving program validity.

Mr. CLARK. Yes, we do.

Mr. REGULA. How do you feel it's worked in Indiana, from your experience so far?

Mr. CLARK. So far, I think pretty well.

We have not had, outside of that fraud which was an out-and-out fraud, and one other that we just brought to the surface 2 weeks ago which was an out-and-out fraud, other than those two unfortunate episodes, it's been very good.

We have seen a reduction in the kinds of problems that we had before. We have seen an acceptance now on the part of the school community, the counselors, the principals in allowing these proprietary schools to come in and actually use facilities and take part in certain school districts where they couldn't take part before because of the seal of the State through the accredited process which we do.

We have had comments from chambers of commerce, from better business bureaus about how much better the situation seems. I can't tell you that because we've done it, that the educational product is any better than it was, because that's something that's really hard to measure, but at least, I think, in the minds of the general educational consumer in our State, in the 3 years that we've been functioning, we have seen a marked improvement in their attitude toward proprietary.

We just had a doctoral study released in our State which was staggering in what it implied, and that was that business and industry has accepted these kinds of schools, the good ones, the ones that were looked at.

They use the graduate. They seek more graduates from these kinds of schools. We find the general public now responding a little better to the proprietary field in our State, and I think part of it must be that we have proven to the people that if the State says, we have done this, and we stand behind this, and I think that gives them a feeling of safety.

Plus we have come out and we have slapped down vigorously the frauds, which I think again proves to them that we are trying to do the thing necessary.

Mr. REGULA. How many States do something similar to what Indiana does, in this type of supervision?

Mr. CLARK. Well, in terms of supervision, Ohio is a good one. Pennsylvania, Minnesota, Wisconsin, Illinois, California. We have about 36 States; we vary in what we do.

The State of Oklahoma has an accrediting commission, they call it. From talking with some of my friends at the last national conference we had and explaining to them the entire procedure that we go through in Indiana, I do not see that a lot of the States go in depth as much as we do, in these teams that we send out. I see a little difference there, but there are various levels of this investigation done by the States.

Mr. REGULA. I'm sorry I missed the early part of your testimony, but what do you see as the Federal role, if any, in this problem area?

Mr. CLARK. Well, one of the things, I think, as long as we have the dollars which are going to be put into the education program, then it becomes the role of the Office of Education, it becomes the role of the Veterans' Administration to see that the right kind of decisions are made, that if an institution is accredited, and an institution has problems, and accreditation might not be the only thing we ought to look at—if we remember that we must make the education available to the student, then perhaps we had better put in some fail-safe system at the Federal level so that we don't create an institution which operates exclusively on the Federal dollars that come in and could not make it on its own without the Federal assistance.

Mr. REGULA. Would you favor a Federal statute that prohibits Federal funds unless the States have some minimum program of accreditation similar to Indiana?

Mr. CLARK. Well, I'd like to not answer that immediately, because I haven't thought of that.

What I would say—yes, I would favor some kind of a fail-safe system to be established between the Federal Government and the States so that we could perhaps head off some of these kinds of problems.

Unfortunately, a situation which has been repeatedly pushed at in the press involving the technical education corporation in St. Louis, which had this problem in the money—this looks bad for Missouri. It looks bad for the accrediting body who accredited the institution, but actually the accrediting body had gone about as far as it could go, and we in the States have worked with the accrediting body in trying to get the problem resolved.

Had there been some other kind of a fail-safe system provided in choosing this kind of an institution for some kind of a choice to be made, for other than an accreditation, perhaps that problem would not have existed. I don't know. I can't give you any kind of a direct answer to that, other than we do have to establish a fail-safe system.

Mr. REGULA. Do you think that your group could prepare the kind of standards that we should put in Federal legislation as a condition of States receiving funds?

Mr. CLARK. You're speaking now of our national association?

Mr. REGULA. Yes.

Mr. CLARK. Yes, I think so, because one of the things that's overlooked sometimes, I think, is the fact that we are the State administrators who regulate this.

Mr. REGULA. How soon could you have those ready?

Mr. CLARK. How soon do you want them? We already have the standards developed, right now.

Mr. REGULA. As soon as possible. I think it is a problem. It is my understanding that, for example, the Veterans' Administration pays the States now substantial amounts of money, in millions, to verify schools because they can't do it, all over the country, obviously and probably in the absence of State standards, or standards for the States, the results might be very questionable.

Mr. CLARK. Well, you see, within our national association we have—one of our officers is also the national president now of the State approving agencies.

Mr. REGULA. What I would like to see your group do is submit to us the kind of standards that should be part of Federal aid legislation, which would say in effect that no Federal moneys from any of the agencies, VA, HEW, or whatever, can go into any State unless that State has adopted a program meeting the standards for the accreditation of proprietary schools within that State, so that the responsibility stays in the State, for the approval of these schools, but that the Federal Government can rely on that approval as having validity.

Mr. CLARK. Well, I will assure you that we will do this. We will start on it. We have already started on it, by these position papers which I mentioned before you came in which we are coming out with.

One of them concerns our concerns with the abuses in the FISL program, and we have this one ready now, which is what we see as needed to check the financial stability of an institution.

I think these kinds of things, sir, could be put into something for your use. I think that would be the way it ought to be done, because I have to go back and say that I believe that we in the States must be the first in line.

Mr. REGULA. I agree.

Mr. CLARK. And the question is, we have not had an ability to sit down with the proper dialog to get these kinds of things done. If this is what the Congress wants, this is the kind of thing we will want to do, because in the final analysis, all of us are after the same thing which is accountability, and we certainly want to work together to establish that accountability.

Mr. REGULA. How soon could you have those?

Mr. CLARK. Well, what we have right now—how about 10 days? Is that too long?

Mr. REGULA. Mr. Chairman, I think these ought to be submitted to the committee.

Mr. WYDLER. No objection to that, I'm sure, and we will make it part of the record.

[The information referred to follows:]

AUGUST 15, 1974.

Congressman RALPH S. REGULA,
Special Studies Subcommittee, Committee on Government Operations, Rayburn House Office Building, Washington, D.C.

DEAR CONGRESSMAN REGULA: During my testimony before the subcommittee on July 17, 1974, you asked of me, as President of the National Association of State Administrators and Supervisors of Private Schools the following:

> What I would like to see your group do is submit to us the kind of standards that should be part of the federal aid legislation, which would say in effect that no federal moneys from any of the agencies: VA, HEW, or whatever, can go into any state unless that state has adopted a program meeting

the standards for the accreditation of proprietary schools within that state, so that the responsibility stays in the state (but) that the Federal Government can rely on that approval as having validity.

I indicated to you that we would be happy to come up with a statement of standards that would be, in our estimation, valuable to establish state oversight for a portion of the mechanism leading to eligibility vis-a-vis, federal dollars, for the proprietary-profit or proprietary non-profit institution. The following then, is the initial statement of NASASPS:

To participate in federally funded programs proprietary institutions must be accredited by an agency approved by the United States Office of Education, Department of Health, Education, and Welfare. There are numerous agencies that hold this approval, but the majority of the proprietary schools fall within the jurisdiction of the National Association of Trade and Technical Schools, the National Home Study Council, the Association of Independent Colleges and Schools and the Cosmetology Accrediting Commission. The standards developed by these accrediting bodies have proven to be substantially sufficient. However, the difficulty lies within the number of on-site visitations that can be made and an adequate fail-safe system to be provided between the on-site visitations.

There are a number of states, who regulate the proprietary institutions, who have standards similar to those of the accrediting bodies and in some few instances standards that are more stringent. These agencies "approve" the school to do business within that state, whereas the accreditation given by the accrediting bodies is based on the educational excellence of the programs and institution and not whether the school can legally do business in a state. Thus, there is a distinction between the two words. However, in the minds of quite a few people the two terms are synonomous when used in the context of meeting standards. We should note therefore the real difference between the two: Accreditation being a voluntary peer evaluation performed by a representative peer group of the industry; approval being the non-voluntary evaluation by the state, required by the state, and designed to see that all applicable minimal standards are met in order to do business within that state.

Before a list of standards can be given to the federal Congress for their consideration, we must be aware of the kind of standards that must be developed on a state to state basis. The states that do have adequate laws generally apply the following standards:

(1) *Application information.*—This standard deals generally with contracts with close attention focused on the truth-in-lending act and full disclosure for consumer information.

(2) *Catalog criteria.*—This standard relates to the type of information that must be contained in any document that purports to be a catalog. Once again attention is focused on full disclosure of all operating procedures of the institution and highlighted so that a student can make a decision without being misled by oral statements of an agent or salesman of an institution.

(3) *Admission policies.*—This standard is the most difficult to outline because of the variety of students and subjects offered by the proprietary school. In some states they cover this by rule and regulation based upon a determination made as to the "kind and type" of institution being evaluated.

(4) *Instructional criteria.*—This standard is evaluated by the state educational staff or by individuals, who by virtue of their expertise in business, industry and educational subject areas are asked to perform this function. Basically the instructional material is measured to see that the most advanced materials are presented in a manner that can be comprehended by the student and organized in a clear meaningful manner to actually prepare the potential student for his job.

(5) *Recordkeeping criteria.*—This standard provides for a system of recordkeeping that will detail all pertinent data on the student, during his training, and after graduation, including placement and job success.

(6) *Agent/salesmen criteria.*—This standard reflects the requirements necessary to becoming a licensed representative of a school. It is concerned with bonding of the representative, prohibitions concerning advertising and recruitment of potential students by the agent/salesmen.

(7) *Placement.*—This standard would apply to all schools offering placement assistance. Methods of placement, as well as placement figures must be documented.

(8) *Cancellation and refund policy.*—Perhaps the most difficult policy to standardize is what constitutes a good refund policy. All require schools to adhere to a refund policy which must be clearly explained to the student, and which must be clearly understood by the agent.

(9) *Equipment/facilities.*—This standard is designed to make the institution prove that equipment and facilities are not obsolete or that the facilities provide an adequate educational environment. Normally, all standards are so written as to preclude a needless expenditure of equipment unless present equipment does not provide modern experience.

(10) *Faculty criteria.*—This standard is designed to designate the manner in which faculty will be certified by the state to assume knowledge and competence in their area of teaching. The standards are geared as to reflect qualification through on-the-job training (work experience) and formal classroom training (college, graduate school).

(11) *Administrative staff support.*—This standard is designed to insure that the student has proper channels of redress and that someone, properly trained and cognizant of the total school operation is always available to both student and faculty.

(12) *Advertising/recruitment.*—This standard is designed to provide for ethical behavior on the part of an institution, its staff and representatives in the use of multi-media advertising, scholarships or grants, and recruitment practices.

(13) *Financial stability.*—This standard is designed to insure that the student is protected against any loss incurred by the institution or its representatives in not fulfilling the contractual arrangements between student and institution. (This is an extremely difficult standard to make uniform since current bonding requirements vary from $1,000.00 to $50,000.00.)

The above standards are generally found in all the states who do have adequate laws. They normally will reinforce the basic statute by Rules and Regulations. In an attempt to develop uniform laws throughout the fifty states, the Education Commission of the States developed a legislative model for states to adopt if they wished. The ECS model is a good, basic outline for each state to adopt.

NASASPS has not, officially, made a statement supporting this model. Primarily, the reason has been due to the attempts by NASASPS to develop its own legislative model. Yet, the majority of the membership of NASASPS feels that the basic ECS model is the best tool available to the states who wish to prepare, or streamline, an agency designated to approve proprietary schools.

The advantage of a state regulatory body is contained in its ability to react swiftly to problems. The agency can request yearly reports attesting to continued compliance with the standards and it can detach staff to make on-site visitations on a regular basis. This ability of a state regulatory agency to act immediately, when coupled with the peer evaluation performed by the accrediting bodies, provides a duality of purpose and accountability. Working in unison the state and peer evaluation groups can provide a hands-on oversight that would be most helpful to the federal government. Yet, there is one point that must be raised before we mention the standards you requested.

Section 435(c)(2) of the Congressional Directives concerning eligibility state: "A (vocational school) is legally authorized to provide within that state, a program of post-secondary vocational or technical education designed to fit individuals for useful employment in recognized occupations." If Congress meant what it implied in the Higher Education Act, then it would seem to us in NASASPS that perhaps the states already have an authority to help determine the eligibility of the institution, but have not been allowed to exercise that authority by the Office of Education!

Perhaps this is because no program can be implemented between the States and the federal government until the states become strong and more importantly as uniform as possible. Presently, only a handful of states could be of assistance in establishing eligibility and they should be utilized. Therefore, presuming that the states can be made minimally uniform, we would then submit the following standards that could be used by the federal government to measure the states ability to provide the needed assistance.

No federal moneys will be authorized for disbursement to any state for use by eligible proprietary schools unless or until the federal government finds that the state agency of control requires the following standards be met by the proprietary institution domiciled within that state:

(1) The school has a sound financial structure with sufficient resources for its continued support.

(2) The school has satisfactory training or educational facilities with sufficient tools, supplies, or equipment and the necessary number of work stations or classrooms to adequately train, instruct, or educate the number of students enrolled or proposed to be enrolled.

(3) The private school has an adequate number of qualified instructors, sufficiently trained by experience and/or education, to give the instruction, education, or training contemplated.

(4) The advertising and representations made on behalf of the school to prospective students are truthful and free from misrepresentation or fraud.

(5) The charge for the training, instruction, or education is clearly stated and based upon the services rendered.

(6) The premises and conditions under which the students work and study are sanitary, healthful and safe according to modern standards.

(7) The school has and follows a refund policy as established by the state.

(8) The school and its representatives are bonded to provide indemnification to any student suffering loss as a result of any fraud or misrepresentation.

The proposed standards are quite simple and we understand that a simplistic approach to a complex problem is not always worthwhile. We believe that these eight standards expanded through the promulgation of individual rules and regulations in each state would provide the safeguard.

Accreditation is but one tool that should be used to establish eligibility. These standards are designed to allow the state to make the judgment as to the institution's ability to function as a bona-fide institution. Coupled with the educational judgments made by the peer evaluative group these standards will provide the Federal Congress with a mechanism to establish accountability.

I would emphasize again, that we must utilize the two primary sources of eligibility investigation that we possess; the states and the nationally recognized accrediting institutions. We must not force states into attemping to become national accrediting bodies. This would create a symphony of confusion so orchestrated as to provide a technocracy that would strangle education. We must not force accrediting bodies into a battle of survival with the states. We must not create a discordant universe that would favor additional exploration by either the VA, OE or the FTC. We must provide for the duality of expertise; the states attesting to the ability to be a viable institution and the accrediting body attesting to the educational worth of the courses and the institution.

We, in the National Association of State Administrators and Supervisors of Private Schools, trust that these eight standards will be of value to you and your colleagues.

Respectfully,

JOSEPH A. CLARK.

Mr. REGULA. I would be interested to know—is your agency in Indiana part of the State department of education, or is it a separate agency accountable directly to the legislature and the Government?

Mr. CLARK. Our agency is a little different in our State than most other States.

If I may, we have three in Indiana. We have the commission for higher education, which deals exclusively with the State system. We have the State department of public instruction, and then our agency deals exclusively with proprietary, profit and nonprofit. We even look at colleges, and we have looked at universities.

We do not care whether it is profit or nonprofit.

Mr. REGULA. Would you come into conflict with the commission on higher education at that point?

Mr. CLARK. No, because they are strictly the State supported institutions. We have no dealings with them at all.

Mr. REGULA. Do you have State supported technical institutes?

Mr. CLARK. Yes, we do, we have one called Indiana Vocational Technical College.

Mr. Regula. Now, is that institution under the commission on higher education?

Mr. Clark. Yes, sir; under the commission for higher education.

Mr. Regula. And that's a 2-year terminal program. Do any of your proprietary technical vocational schools have transferability of credits?

Mr. Clark. Yes, they do.

Mr. Regula. Who evaluates those, the receiving institution?

Mr. Clark. Yes, in about the same fashion that ACCRO evaluates, has standards set up for the transfer between colleges.

As a matter of fact, in our new rules and regulations, we have now a new regulation—we have all the standards in there for an associate degree which may be granted by an institution, and what we now call the professional graduate degree which is 3 years.

Mr. Regula. And your organization then can prescribe standards for the giving of an associate degree out of a proprietary institution if they meet certain standards?

Mr. Clark. Yes, sir; and these are the same quarter hours, semester hours, clock hours as one finds in the 2-year junior college.

Mr. Regula. It's a substantial responsibility that you have.

Mr. Clark. We are the creature of legislature and responsible to the legislature, and I would add, we are a merit agency. These people staffing the agency are brought there because of professional competency, as all agencies are, with the exception, if there is a change in the political climate it does not necessitate a change in our agency.

Mr. Regula. Are you funded by State funds, or do you have a fee that you levy against the school?

Mr. Clark. State funds. We have fees, but that doesn't sustain us. We feel that we could not live off those fees, because if we raised them we would tax out of existence a lot of the small operations, and that's not the State's role to do that.

Mr. Regula. Thank you, Mr. Chairman.

Mr. Wydler. The only thing that I see as the danger of this whole situation and this accreditation—of course, people rely on it, whether you like it or not, and all a school has to say, it's accredited by the State official organization of the State of Indiana, and anybody reading that takes it for granted that it must be a good school. I mean, that's the normal human assumption.

Now, is there any requirement that any advertisings making that kind of a statement also states that this does not—you know, give a warning, look into it yourself, make sure it's the kind of courses you want. It doesn't mean because we're accredited you're going to end up being happy with the education and the services you receive there, and so on.

Mr. Clark. No, we make that perfectly clear. It's hard to sleep at night sometimes when you think about that seal. This is the thing they use, the seal. This school may utilize this in advertising and everything, you-know, and, as a matter of fact, if I may, when the seal was developed we drove the secretary of state's office wild because no State agency had submitted a seal for adoption in 75 years, and they didn't know what to do with it.

That seal indicates that the State has done something. Now, we warn the people also, we will not recommend an institution to anyone who calls into the office. We will give them two or three or four comparable accredited institutions, and we will tell them that what this means is that there is a problem that could result from going to that institution, that we will assist them in the settling of that problem.

We are very careful not to make a flatout statement because it is my opinion that accreditation does not give one thing, which is accountability, and just because a course is accredited doesn't mean that it's a good course, and it's very difficult, and this is what the public doesn't understand—they accept accreditation as across the board, and that's not true, because any course, any given professor, any given discipline can be, you know, flawed a little bit. But it does mean that it has been looked at, an effort has been made to make a determination and to give them the protection of having one place to go if problems arise, and I would say that we had, at least 30 days ago, every complaint that came into the agency was settled, and not all complaints were settled for the student because we found in the investigation that some of the students were wrong. They were going against the school.

We found that to be true, so there's nothing to do about that.

Mr. Regula. Mr. Chairman, I have one question.

Can a proprietary school operate without your seal of approval?

Mr. Clark. No, sir.

Mr. Regula. So, in effect, every private profit or nonprofit proprietary school will either have that seal or they're not in business in Indiana.

Mr. Clark. That's right, and they can have up to 2 years to go through the entire process.

Mr. Regula. Of accreditation?

Mr. Clark. Yes; and then every 5 years we send teams back in and every year they send in financial statements, and all kinds of things like that to keep it up.

Mr. Luman. I'm trying to get a little perspective, Mr. Clark.

Isn't it true that the veterans' benefits for education legislation places a great deal of trust in the States? The VA doesn't usually inspect schools—the VA relies on the State approval agencies and pays them for their labor, some $12 million a year. I've been given to understand that we've gotten very spotty results from this.

Would you concur that some States have done a good job and that some States have done a poor job?

Mr. Clark. Yes; I would concur. It's unfortunate.

Mr. Luman. That they are being paid to do this job by the VA.

Mr. Clark. That's right.

Mr. Luman. With varying results.

Mr. Clark. That's right.

Mr. Luman. You mentioned on page 2 of your statement about the black eye given these schools, such as when counselors refuse to allow them to come into public school counseling facilities.

Now, were you telling Mr. Regula that because of your State approval, that some schools in Indiana do permit this?

Mr. Clark. Yes.

Mr. Luman. So you have taken away that black eye?

Mr. CLARK. They are becoming more aware of the schools and they are allowing them to come in, and the episodes now, as a result of these things, have been good.

The student has come back and said: "Gee, it was wonderful. I got my job, I got placed, I got the thing that I wanted."

Mr. LUMAN. This is for what, a high school senior? There is a room in the high school that you allow a proprietary school to set up shop in and talk to him if he wants to?

Mr. CLARK. Yes; they have career nights and they come into the auditorium or designated rooms for institutions, and oftentimes, the career school or trade technical school just can't get in. They just won't let them in.

Mr. LUMAN. In this case, you do let them in, just as you let colleges in?

Mr. CLARK. That's right.

Mr. LUMAN. You mentioned that you have accrediting, and you actually inspect these schools, and, I assume, look at the courses and evaluate the qualifications of the teachers. When you were listing other States that did a good job, you mentioned California and Pennsylvania and Ohio, but do these States actually do this type of accreditation?

Mr. CLARK. Not as such.

Mr. LUMAN. Is there any other State that accredits in the way that Indiana does, where they actually supplant or replace the national accrediting association?

Mr. CLARK. Well, Minnesota has a procedure similar. Wisconsin, Ohio, they all have procedures similar to what we do. I don't know of another State, right now, that sends in in the manner that we do, to look at everything.

Most of them either have the approval or the licensure, and as I meant to say a moment ago, the reason we get into an argument, that I get into with the accrediting people, is because we use the word accredited, but yet we don't give them the opportunity to ask for accreditation.

So whatever, I don't care what you call it, but we will do the same process, which is the onsite, systematic, point-by-point evaluation.

Now, the States vary. This is another thing, that we are attempting to do through model legislation is to get the procedures more or less in line so that they begin to have more in-depth look.

Mr. LUMAN. Are there other States that use a seal like yours and allow the schools to say that the State has examined our facilities and found us to be OK, or are you the only State that does that?

Mr. CLARK. As far as I know, we are, yes.

Like Ohio—we do not allow advertising unless they have an approved advertising code which they cannot get until they get a status with us.

Mr. LUMAN. You have this responsibility then, if one of your schools goes bankrupt, which happens in other States anyway, that people are certainly going to turn to the State and say, "Why did you let me go to that school, why did you let them display your symbol?"

Have you had one go bankrupt?

Mr. CLARK. Yes, we did. We had one go bankrupt, and it was a very interesting situation.

We had gone in—we have in our log—to back up for a second and to put it in perspective—we had the right in our law to accept or reject accreditations issued by nationally recognized accrediting bodies if those meet or exceed our standards.

When we first started, we had such a great number of institutions that we had to do something with, that we extended to AICS, NATTS, and Home Study, that if their institutions were accredited, in good shape, that we would automatically grant this approval without sending our own team in. They would do the bonding, and these things that were required.

In this one instance, it was an accredited institution, and during the course of the investigation, it turned out later they had lied to the accrediting commission itself. In came the national accrediting commission, and they had falsified records, and the accrediting body—of course, there would have been no way that this would have happened, that they would have known that this would happen, so the school called us and said that they were going out of business, and there were problems, so we worked with the school in getting them out.

We saw to it that all of the students that wanted to continue with their education were transferred to other accredited institutions at no charge. We worked with the loan companies and the banks to see that the loans were settled properly. We worked with them in putting them out so that there was no dissatisfied customers.

Mr. LUMAN. You didn't have dozens of students holding the bag in this case?

Mr. CLARK. No, we did not, and it made us red-faced quite frankly, and it made the accrediting commission red-faced.

Mr. REGULA. In all fairness, you know banks, and all that, are licensed by law, they go bankrupt too, so I guess it's not just in this field that these things happen.

Mr. LUMAN. You know, the traditional concept of accreditation, as I seem to understand it from what I've read, is a peer group process, at least certainly the collegiate accreditation is that. I take it in the State of Indiana that you accept the regional accreditation given to Purdue, for example. The State doesn't go into Purdue and accredit it, right?

Mr. CLARK. Right.

Mr. LUMAN. So the proprietary schools are a special case for accreditation. Now, why does the State do this, in view of the traditional concept that other people doing the same kind of work will pass on their peers, which is the way the accreditation is carried out?

In other words, why not rely on the three or four major proprietary school accrediting bodies, at least for the things like the course review, if not the business practices and advertisements?

Mr. CLARK. One of the reasons, I think, is that proprietary education is a child of one of the things that created this country, and that's the American free enterprise system.

It happened to be business that happened to be dispensing educational services. Now, that is heresy to educators because one does not make money, and if I may add a personal note, gentlemen, I was at one time a member of the Indiana House of Representatives.

I have been in the committee meetings on education when the budgets have been presented to us, and I have just about died looking at some of the things that were requested. But that's different, you see, because that's education, that's education sponsored by the State, that's traditional education, that's Ivy League education, so that's fine.

But not proprietary. It's a business, and for heaven's sake, we can't do that, because it's one of the most sacred cows in America, education is, and everyone knows you don't make money at education. So we actually make the proprietary systems submit to outrageous requests and we let the higher education community in our States get by by doing outrageous things.

Mr. LUMAN. That happens in your State, too?

Mr. CLARK. Yes.

Mr. LUMAN. Because you do not have a counterpart in higher education.

Mr. CLARK. No. Now, even that accreditation, you see, if I might for a second, let us assume that I go to an institution which I won't name because I have to get on the old plane and go back to Indiana, but let's assume I go there and I take a 1-year course as a secretary.

The institution is accredited.

Mr. REGULA. By whom?

Mr. CLARK. The North Central Association which is a regional accrediting body, which is different than academic accreditation, which is different than a national accreditation.

So anyway, I go to this nice university, and this university is accredited. They have seen that proprietary schools do a pretty good job, so they want to have a technical course.

So they put in some technical courses, and they put in a business course, and I take that course. Now, because the institution is accredited, I transfer to Michigan State University, and I have a 1-year program as a secretary at the institution—I'll use Indiana University, let us say—and I transfer from Indiana University. I went 1 year to Indiana University—which they don't have—it's just an example, but a 1-year course in business.

I transfer to Michigan State. Michigan State is accredited. Now, accreditation to accreditation. ACCRO says all my credits can be accepted at MSU, but the point is, the course, the 1-year program that I took was not accredited, and no one had ever looked at that course in the institution to see if it was a good course.

Now, that's a fraud.

Mr. LUMAN. Let me ask you about the Federal role which we talked about before.

One of the Congressmen who testified yesterday pointed out that the Federal Government, by stimulating the funding of people going to educational institutions—in this case the proprietary vocational schools—had helped to create the problem.

Do you think it's healthy for an institution, particularly one which is a qualified lender, to have 90 percent of its students federally funded, either through the VA or insured student loans?

Doesn't this undo the free market concept we have, that the school will attract federally funded students because it's attracting other students as well, when in fact, the person selling the education can also sell the finances?

Mr. CLARK. It's wrong. The Government has helped create some of the problems by establishing standards where one can receive money.

No schools should be started by basing its whole future on receiving either VA money or the guaranteed student loan program. No school should be a lender.

As I perceive a school, it's there to teach, not to lend.

I think there should be some kind, as we mentioned a moment ago, of fail-safe system because in my own experience I have seen some institutions back home get into deep financial problems when they have based it on VA and they have based it on the guaranteed student loan program.

It's like anything else. If you give it to him, and it doesn't cost him anything, he isn't going to do it, and if he does it, it isn't going to be good when he gets done, but if he has to put his own foot into it and pay his own money into it, then be he the man starting the school or be he the student coming through the front door——

Mr. LUMAN. The VA has what, a 15-percent non-VA ratio today, do they not?

Mr. CLARK. That's right.

Mr. LUMAN. As I understand it, legally, you can have that 15 percent receiving federally insured student loans, can you not?

Mr. CLARK. Yes.

Mr. LUMAN. So you can have a school that's attended 100 percent by federally financed students.

Mr. CLARK. Yes.

Mr. LUMAN. Do you think this is healthy for the school or the student?

Mr. CLARK. Neither.

Mr. LUMAN. What would you suggest that we ought to do about that?

Mr. CLARK. Well, again, I hate to say anything because the problem has been, to go back to a question you asked a moment ago, in the whole problem of proprietariness and accreditation approval versus the other side, we had a tendency to overreact, and we've come in, we've clamped down, and if we suddenly clamp down on the ability to receive the Federal dollars, if we're not careful we will hurt the student because the student should be able to get the money to get the education regardless of whether it's a trade school or college.

I would not want to say too much, because I'm afraid to say something without thoroughly thinking it out, because we could have all kinds of problems if we limited, if we had 85–15 for a total institution—that might work; it might not.

If we were certain it didn't cut off an interest someplace else, but something must be done.

Accreditation is not the answer to the eligibility. It is unfair to those institutions who grew by their own blood and sweat, to be a viable institution, to have some charlatan come in and run it, completely funded by the Government, knowing what may happen and probably will happen, which is that it will fold.

Mr. LUMAN. Let me ask you about your relationships with the three big accreditors you mentioned.

You apparently think that some additional step is needed beyond their check on the school's quality, or you wouldn't do it with State funds, but how have they been in terms of responding to complaints, and do you pass the complaints on to these major accreditors?

Mr. Clark. Well, first of all, I could not as a State official ask for better cooperation from anyone.

My own policy as commissioner is that when the problem comes up, I pick up the telephone and call either Bill Fowler or Bill Goddard or Dana Hart. We alert them to what we found, we send them complaints.

If it is a complaint that affects the industry seriously, if it's an individual complaint on an institution accredited by them, we go to that institution, but things that come up that could have an effect upon the total industry, we call them, they call us.

We have an excellent working agreement.

The only dissention that we have, any one of the three of us, is the fact that I say my State accredits, and they say I can't say that, and that's the only argument that we have.

But I cannot praise the three accrediting commissions enough, for what they do, gentlemen, they do well.

Mr. Luman. They hold up their end of the triangle?

Mr. Clark. They hold up their end of the triangle. The problem results when they have people within their own industry who will not cooperate with them.

Mr. Luman. Yes.

Mr. Clark. And the point is that events do not happen in isolation, so if one member of, let's say Home Study Council, creates problems for the council, it looks bad for the total, but in fact, the council itself, the commissions, the members build beautiful relationships.

I could not ask for anything better.

Mr. Luman. Are you saying that they have limitations in what they can compel their members to do?

Mr. Clark. Yes; they do.

Mr. Luman. Let's take that a step further.

You talk about OE needing to get tougher with the accrediting associations. Professor Orlans made the statement yesterday that there's a limit to this, in that the final massive retaliation that OE has is to throw out the accrediting association and when it does that, it throws out an awful lot of good schools who have played the game and applied.

And how do we deal with that dilemma?

Mr. Clark. That's a hard one to answer. By being more forceful sometimes you know, if the administration of the accrediting body has support from the Federal Government, let's say from OE, with a threat, that backs them up in dealing with their own member.

If the accrediting commission gets no support from OE, then that weakens their administrative position with their own member.

Somehow we have to make a backup for the administrative staff of the various commissions to get tough.

I have talked to school owners who are represented in the three accrediting bodies, and their attitude is, don't talk to me. I have a school out there. You know, you guys in the States and the Government, get out. Don't bother me. I've got to make money.

So he continues on his merry way, creating problems which come filtering back to the head office in the accrediting commission.

We get irritated. We threaten to cut off the accrediting commission. The Federal Government gets irritated so they say, we're going to throw out the accrediting commission, and that is criminal because if they do that, in the final analysis what we're all in is, again, accountability to that student, and if we would throw out the whole accrediting commission then we would do a damage that could never be repaired.

Mr. Luman, I'm not certain where we go and how we do it, but there has to be a little better communication between the three of us to provide perhaps what we used to call an education, when you were talking about disciplining a child in class, you either used force or you used threat of force in the old days, so perhaps we need some kind of a threat of force that will assist us all.

Mr. LUMAN. In your statement, you seem to be rather uphappy with the Federal Trade Commission on a number of grounds.

If I might cover a couple of those. First, you seem to be unhappy that their advertising, which they told us about yesterday, doesn't accentuate the positive enough.

Now, what would it take, in your opinion, to make that advertising fair? Would you want them to add that some of these schools are good, or what would you want them to do?

Mr. CLARK. I must say, the other day I was driving to the northern part of the State, and I turned on the radio, I was near Chicago, and this advertisement came on for a private school, and I almost wrecked the automobile getting to a telephone to call the office to send one of my investigators out, and it turns out to be the Federal Trade Commission, their ad followed up then by a Chief Ironside, or Perry Mason, or whatever name you want to call it, and I almost went off the road because I thought, oh my heavens, how did I miss that one?

But it was terrible. Absolutely terrible, and then here comes Raymond Burr.

Now, Raymond Burr to John Q. Public is like a God speaking, and when he says "This is bad"; why, I wouldn't touch that school with a 10-foot pole.

Mr. LUMAN. But the question is: Can we still have God speak to the people, and maybe he says, "People, there are also some good schools"?

Mr. CLARK. Yes, we certainly can.

You know, I think I could train a baboon to do a better job than the Federal Trade Commission is doing when it comes to helping the industry.

I could train a baboon to do a better job.

Mr. LUMAN. Do you cooperate with them?

Mr. CLARK. Definitely, and I would add here, in all fairness, I didn't mean to be facetious. I meant that statement.

I have had excellent cooperation from individual attorneys in the Federal Trade Commission.

Some of the sharpest young attorneys I have met have been some of the young men that I've worked with from the Federal Trade Commission, but it's not them.

I wrote a letter to the Chairman of the Federal Trade Commission. I got an answer back, I think. I had sent a copy of it to our Congressman just as a matter of course.

They in turn received the letter from the Chairman, the copy.

One of my own Congressmen wrote me and said, you got a letter, I think, and I wrote back and I said, yes, I think we both got a letter with an answer, I think.

We have called them, we have alerted them to cases that we were going to do. I did it just 3 weeks ago, and I had a conversation just last week with the Federal Trade Commission office out of Kansas City.

The thing that's bad about it is that we have the good cooperation from some of the attorneys that we work with, but unfortunately, these men are not in director positions or higher.

So let me give you an example of what happened, which is why I'm so irritated.

We had spent a year and a half on this fraud that I mentioned a while ago. We had contacted them, we had given them information, we had agreed to become an expert witness with them.

They then had one of their people come in, to Indianapolis, Ind., and make a speech before the women's group in which he says, accused me of lying, accused the Attorney General of not being able to do anything, and accused the legislature of our State of suffering from apathy and a lack of concern for the public welfare.

Well, I became completely unglued over that. I did not speak for the legislature, I did not speak for the Attorney General, but I certainly spoke for myself, and I sent back a letter saying, you know, don't do that ever, don't come into a State and make this kind of accusation, especially when we are the ones that were responsible for the exposé, and had assisted you.

So on the one hand, yes, we get cooperation from individuals, but the Federal Trade Commission itself—and if you think I'm irritated about the Federal Trade Commission, you ought to speak to some of the members of the national association.

At the national conference—see, you get me so upset I'm getting angry—we had our national association meeting in April in Chicago.

Mr. Frank Albanies, who is my opposite number in the State of Ohio—I have seen Frank mad once, and it was there, and I thought he was going to kill the guy.

Mr. LUMAN. What is it, that the Federal Trade Commission doesn't cooperate with you, or that it ignores you?

Mr. CLARK. They do not cooperate.

From time to time, they say, well gee, we would like to help but that's confidential information.

Mr. LUMAN. In other words, they have information about a school that you have jurisdiction over and refuse to share it with you?

Mr. CLARK. That's right.

Mr. LUMAN. That happens?

Mr. CLARK. Yes, they made the statement, for instance, that we know you've got two frauds operating in your State, and you don't even know about it.

Well, I thought that was a brilliant thing to say to me. If I didn't know about it, I would have much preferred that they told me about that.

Mr. LUMAN. Are we having problems here where everybody wants to get credit for catching the car theft—you know, the old thing between the FBI and the local police?

Mr. CLARK. Oh, I wouldn't want to say any more than I've already said. I think that one should always make his nest a little better than someone else's.

I think that it's unfair of them, because I don't think they know what they're doing.

I'm speaking right now for 42 States in the Nation when I'm telling you that they are so upset with the Federal Trade Commission that the Chairman had best understand it, and these are the States who work with proprietary schools.

We are sick and tired of what we are seeing, and I will tell you gentlemen that what's going to happen, is that at some point we are going to start fighting them in Congress and the Senate, and when you stop and multiply the 42 States by the number of Congressmen and Senators we have, I don't think the Federal Trade Commission wants that kind of a fight.

Mr. LUMAN. How do you get along with the other Federal agencies? How do they cooperate with you? VA and OE?

Mr. CLARK. Well, fine, I think.

You know, we get cooperation. We work with John Proffitt, we get tremendous cooperation out of there.

Mr. LUMAN. Do they share complaints with you that have relevance in your area?

Mr. CLARK. No.

Mr. LUMAN. Do you need some big center to do this? Apparently, no one talks to anybody in this business.

Mr. CLARK. Yes.

Mr. REGULA. Along that line, do the Federal agencies that provide funds accept your accreditation?

In other words, anyone that wants the VA loans or guaranteed loans, et cetera, is it automatic that they are approved if they're going to a school under your supervision?

Mr. CLARK. No. In the case of the State approving agency in Indiana, we have a very fine communicative link.

When we approve a school—well, first of all, they can't approve it unless we do, because we have absolute authority over those schools. So if the VA does it, then it looks bad if we put them out of business.

Mr. REGULA. But what I'm asking, do they second guess you at all?

Mr. CLARK. Not now.

Mr. REGULA. They just accept it?

Mr. CLARK. Yes; and we go out with them, and they go out with us.

Mr. REGULA. If there were Federal legislation setting minimum standards that the States had to adopt as a condition of approval, do you feel that if this were enacted, that should be part of the legislation, that the Federal agencies supplying funds would have to accept the States approval as the last word?

Mr. Clark. I would think so. I would think we would have to streamline it so that we didn't duplicate it.

Mr. Regula. Yes.

Mr. Luman. Just to get this clear. The Office of Education and VA through the State approval agencies, place a great deal of respect on accreditation by a nationally recognized agency, like NATTS, Home-Study, or AICS. Now, your accreditation is not today recognized by the National Accreditation Commission, is it?

Mr. Clark. No.

Mr. Luman. So if I'm running a school in Indiana, I have to get your seal that you have on your booklet, but I also have to get NATTS or Home-Study or AICS accreditation to be eligible for the Federal insured student loan, do I not?

Mr. Clark. That's right. If you want the money, you have to get the national accreditation.

Mr. Luman. So as far as Mr. Proffitt is concerned, and the committee that he reports to, you are not a nationally recognized accrediting body?

Mr. Clark. That's right, and I would add, gentlemen, that we don't want to be.

We in the States do not want to become national accrediting bodies. What we want to do is provide for our State and its people the thing that we can do, working with them in unison, with the accrediting body and with the Federal Government, but there is a little movement now which is forcing some of the States to look at the requirements for what it takes to become a nationally recognized accrediting agency, and, you know, if we get too many States as nationally recognized accrediting agencies, my heavens, we'd have more chaos than we could handle.

So what I'm saying, is that the States must take the responsibility. That's what we're trying to do in NASASPS. The States then do what they can do. Then we can couple that with the standards.

Mr. Pritchard. I'm sorry I had to leave you for a while, but let me just sort of run through this.

You're from the State of Indiana?

Mr. Clark. Yes, sir.

Mr. Pritchard. How many schools do you have that come under this classification, proprietary?

Mr. Clark. We have 558 such institutions, of which 245 are what we would call active, but we continue to monitor the remaining to see that they do not attempt to come back in.

When they do, they come back in under the statute.

Mr. Pritchard. I see. You feel you've got a pretty good handle on the schools in your State?

Mr. Clark. Yes, sir.

Mr. Pritchard. How does your State differ from other States?

Mr. Clark. Well, again, I think one of the main differences is the fact that this thing that we call accreditation is quite similar if you would see what we call our PSA 1 which is a self-study and evaluation form, it's quite similar to the same kind of forms which must be prepared that are given by NATTS or Home Study or AICS.

Mr. Pritchard. In essence, what you do, is you license the schools?

Mr. Clark. No, sir; we do not license.

Mr. Pritchard. No, you don't license?

Mr. Clark. No; we don't license. I want to make that clear, which, you know, takes about that much to do.

What we do is send teams of expert's from businesses out to look at the institutions.

Mr. Pritchard. Do you give State approval for them to operate?

Mr. Clark. Yes.

Mr. Pritchard. If they don't have that approval, they're out of business?

Mr. Clark. Yes.

Mr. Pritchard. So if all the States operated like Indiana, we really wouldn't have any problems, would we?

Mr. Clark. It would sure cut it down quite a bit.

Mr. Pritchard. Well, I mean, you know, you've got the problem under control in your State, and I can't think that Indiana is that much more smarter, you know, and talented than any other States, that the other States would do the job.

So, really, I suppose we could go right back on the States here, and if they did the job, why they could handle it right there.

Mr. Clark. Definitely. There's no question about that.

The States must do it, and it's not necessary—it is necessary to have the States in unison in terms of what they're asking for.

Mr Pritchard. Yes.

Mr. Clark. This would save a lot of money for the institutions. I think one of the proprietary schools has 103 different contracts because it's in so many different States. Well, this is ridiculous. The States must get strong.

The States are the ones that must do it, and I don't know if you were here when I mentioned that Indiana, Ohio, Illinois, Minnesota, Wisconsin, and Michigan have very good laws, and that's an area where we have a great concentration of the schools.

Mr. Pritchard. Yes.

Well, of the 558, are they active, the 250 schools or so that are active, how many of these work in a number of States or are multi-State operations?

Mr. Clark. Probably a little over one-half.

Mr. Pritchard. About half are in different States?

Mr. Clark. Yes.

Mr. Pritchard. All right.

You know, our ability, of the Federal Government to manage things is somewhere between miniscule and—it's difficult.

Anytime we can have people do things at the State level why, you know, it gets done quicker and easier.

OK. Do you have anything to do with the 4-year schools, not the proprietary schools, but the colleges, junior colleges, and the others?

Mr. Clark. Yes, we do.

Those that are not accredited by a nationally recognized accrediting agency—now, we have not in the State of Indiana touched Notre Dame or Butler or Hanover. They've been around too long in terms of what we're looking for, but any other institution which could be a 2-year, 4-year institution not already under us, and we have some of those, and there was one institution in the State which had a pretty bad reputation.

It was called Indiana Northern University at Gas City, Ind., and it was alleged that it was close to being a diploma mill, which was never actually proven, but we put the university out of business.

It did not measure up to the prescribed standards for a doctoral-granting institution. It now is a graduate school giving one graduate course on a 2-year candidate program, that we are monitoring with some pretty good educational consultants in the field of MBA programs.

Mr. Regula. You're really saying you catch everything that is not covered by North Central and/or the State university program?

Mr. Clark. That's right.

Mr. Pritchard. When you put a school like this out of business, it has quite an effect on other schools, doesn't it?

Mr. Clark. Yes; it does.

Mr. Pritchard. That comes to discipline and the big stick. Sometimes it is necessary.

Mr. Clark. The important thing is that, as you well know, sir, is that if the school says it's going to give an accountable education, then that's what the State of Indiana wants, or the State of Ohio, Michigan or whatever.

It's when they forget that in giving a good education and they start looking at the bottom line, that's when they get into problems.

Mr. Pritchard. Of course, with the condition of schools, particularly private schools today, it's hard when the greatest pressure in the school and all up and down is to keep its doors open.

Mr. Clark. If I may say something to that. You know I'm not certain that these are completely accurate figures, but I think the point will be made, when you look at a proprietary school, the trade, technical, business, correspondence, you will note that approximately 87 percent of its revenue is generated by those students.

If you look at a State-supported institution, you will notice that about 87 percent is generated by the State treasury.

I wonder if there isn't a difference in the quality of education in terms of who really might try harder to make the education viable in terms of what that student will get.

You see, I must say this to you, we are not looking at one of the other culprits, and that is the colleges and universities who do the same kinds of things as badly, some of them, as we in the proprietary schools.

Mr. Pritchard. This is what I'm trying to get at, where all the sinners are.

Mr. Clark. Well, the sinners are over there, too.

Mr. Pritchard. They're everywhere.

Mr. Clark. You see, you aren't a sinner if you live in an ivory tower, but you are a sinner if you live in a concrete, brick tower, and the abuses, you know, you send the athletic director out to recruit the new basketball team, you've got some abuses.

Mr. Pritchard. Amen. How about advertising?

Mr. Clark. Same situation.

Mr. PRITCHARD. Do you have anything to do with policing the advertising?

Mr. CLARK. Yes; we do. We review all advertising.

Mr. PRITCHARD. You do review all of the advertising?

Is this done before or after?

Mr. CLARK. Both.

In other words, when a school submits, we look at all the advertising. We have prohibitions against advertising quite similar to what the Federal Trade Commission says, and—see, we agree on that.

And we have our own. They have an assigned advertising code. Ohio has this, too. The media is notified that they are not to run any kind of advertising unless it has this approved code.

But that is for proprietary. That is not the colleges and universities, and some of the things I have seen from some of our prestigious institutions, you know, with the good looking girl and the good looking guy getting into his sports car, and cash in on your future—possible fraud springs up.

Mr. PRITCHARD. Okay. Then, in that case, if I have a map of the United States, and we were looking at the abusers and where the situation was out of hand, and where there wasn't control, it would be in those States that weren't operating along with Ralph's and these others. I don't know whether it's in the State of Washington or not.

Mr. CLARK. Washington, by the way, is just about ready to pass. I've been invited to the State of Washington to testify before their council on the passage of their new legislation, which is modeled after the ECS—you mean this Washington or that Washington?

Mr. PRITCHARD. The State of Washington.

Mr. CLARK. The State of Washington is about ready. New York is good, New Hampshire, up through there.

Mr. PRITCHARD. So, in other words, if they all followed what you're doing here, why, we'd be getting this problem underhand pretty well.

Mr. CLARK. In the simplest terms, yes.

If the States would all work together, if the States would get their laws, if the legislatures would give the right authority to the regulatory unit within the States, yes.

Mr. PRITCHARD. And then, if you had some type of clearinghouse so that the information flowed back and forth between States, so you would have some coordination, and cooperation, then this job would be under reasonable control.

Mr. CLARK. Yes.

Mr. PRITCHARD. Okay, I think that's all I have.

Mr. REGULA. One last question.

What about correspondence schools that are not located within your State?

Mr. CLARK. They're still under us.

Mr. REGULA. In other words, no correspondence school can sell their services in your State unless they're approved by your agency?

Mr. CLARK. That's right.

Mr. REGULA. Do you think this is good?

Mr. CLARK. That's right.

Mr. REGULA. Mr. Graham?

Mr. GRAHAM. I have a couple of questions.

Mr. Clark, how many colleges and universities are in that number that you mentioned, out of the 250 that you mentioned?

Mr. Clark. Oh, let me see. You're talking about degree granting now, right?

Mr. Graham. Yes.

Mr. Clark. I'd say approximately 50.

Mr. Graham. In the complaints that you have received, have they been equally distributed between colleges and universities and private vocational schools which you regulate?

Mr. Clark. More complaints, I'd have to say, would be of the trade, technical, business, and correspondence, as opposed to some of the institutions granting degrees.

Mr. Graham. With your accrediting procedures, how do your procedures compare with the accrediting agencies?

Do you look into such things as refund policy and dropout rates and placement?

Mr. Clark. Yes.

Mr. Graham. What about this placement? You said before that you would accredit a school that was teaching someone to make buggy whips, as long as they were doing a good job of it.

In all of the private vocational schools, you don't require that there be a market for the skill for which they are training the person?

Mr. Clark. Oh, yes; yes we do. We say that if you're doing your job well, that you should have at least [illegible] percent placement in the field for which you're training, which is a little higher than some of the others called for, but you know, if I'm right, that brings up another point.

I'm not so certain that we have the right to say to a school, you will place your graduates. I think we should say, we hope that if you're going to place your graduates, you place a substantial number, but you see, by telling them that you've got to place them, that's really what we do, that's not right. That's outside of what we ought to be doing, because we're not applying the same principle across the board.

Mr. Graham. Well, except that in any case, the private vocational schools, as compared to the colleges and universities, those private schools, via their advertising, are impliedly promising a job, isn't that true?

Mr. Clark. Yes, sir.

Mr. Graham. So if they promise that, they should be able to produce.

Mr. Clark. Yes, sir, but I submit to you that an equal fraud in this country, are institutions of higher education, turning out teachers to a market that's so glutted that we won't need them until the 27th century—I mean, that is a fraud as well as the other.

We have got to be honest with everyone.

Mr. Graham. This truckdriver school fraud, was that school accredited?

Mr. Clark. No.

Mr. Graham. And what status were they?

Mr. Clark. They weren't in any status. They just started operating.

Mr. Graham. How were they allowed to do business in Indiana?

Mr. Clark. We couldn't find them. They kept changing names and telephone numbers and identities.

Mr. Graham. What about, you said there was one other fraud you mentioned, was that school accredited?

Mr. Clark. No.

Mr. Graham. Do you have in your State, in higher education, a higher education student loans agency?

Mr. Clark. No; we have no matching agency for Federal or State in Indiana.

Mr. Graham. There is none.

Does your office work with student loans in OE or with the VA at all?

Mr. Clark. No.

Mr. Graham. So if a student from Indiana were applying for a student loan, and if it would be a school that you might be considering some action against, there is no information sent from you to OE or VA, that they should be careful about that particular school?

Mr. Clark. Well, not to here. There is locally. We would contact the State approving agency in that State with the information that we were going to take some kind of action that we would have worked with them before.

Mr. Graham. Only at that stage, when you were contacted?

Mr. Clark. Yes.

Mr. Graham. What about if you were receiving a number of complaints about the particular school, would you then alert the VA or the OE?

Mr. Clark. When we receive a number of complaints from a school, we then will alert the person or persons who need to know this information.

Mr. Graham. Do you agree with this distinction, that Mr. Orlans draws in his report about accreditation and that possibly the Federal Government, particularly OE, should establish a separate procedure for eligibility?

Mr. Clark. I think that the procedure for eligibility should be looked at. I'm not so certain who should handle it, or how it should be established.

Mr. Graham. I'm interested that throughout your statement you made comments about colleges and universities, that they are just as bad or as bad as vocational schools.

How do you know this? You don't regulate most of them.

Mr. Clark. No; that's true.

Mr. Graham. You hear about some of the horror stories, and I'm just wondering if you're making a mistake that people make in private vocational schools, they are giving colleges and universities a black eye?

Mr. Clark. Perhaps in a couple of statements I made it could be interpreted that way, but I would have to answer you that we do receive complaints in the commission on abuses created by the colleges and universities.

This is not to say that every college and university is bad. I think your point is well taken.

If we do that, then we're doing the same kind of crime that is done against proprietary schools, but I have had complaints.

Mr. GRAHAM. Are these similar to vocational school complaints about placement, about recruitment, refund policy, and so on?

Mr. CLARK. Yes.

Mr. GRAHAM. Just one more question about the Federal Trade Commission.

Is it that, specifically, you don't like their consumer education program, or their other programs that they have in this field too? What about their litigation program?

Mr. CLARK. Oh, it's fine, if I live long enough to see any of those cases ever come to court.

Mr. GRAHAM. You don't think the four big suits that they have filed have had any effect on the education industry?

Mr. CLARK. I don't think so.

Mr. GRAHAM. You don't think so?

Mr. CLARK. I don't think so.

I think that the unfortunate thing is, and I say this in all fairness to the Federal Trade Commission, because I'll probably be shot when I walk out of this building——

Mr. GRAHAM. Yes; they're right here.

Mr. CLARK. I know they're here. They know how I feel. The Federal Trade Commission is doing the thing that we all want to do, too.

We all are going after the same thing. It's the manner in which they've done it, and it's the arrogance displayed by members of the Federal Trade Commission to those of us.

You know, we're like anybody else. We like to think we're pretty important in our own States, and we like to hope that people would show a little protocol, and we kind of get nasty when this is not done, when innuendos are made publically.

Have you ever heard a public innuendo like, I think that the Veterans' Administration and the education commissions of the States should write all 50 Governors in the United States and tell them that their regulatory bodies are not doing their job.

Now, that's a public innuendo.

Mr. GRAHAM. But isn't the threat of litigation and complaints that they have filed similar to the threat of your fraud statute, that in that threat alone, and in exercising it a few times, can effectively frighten the vocational industry.

Mr. CLARK. Any kind of adverse publicity of that nature will frighten someone.

Mr. GRAHAM. I have one comment on your statement. On page 5 you said it is time that we allocate more money and manpower to assist the proprietary industry.

Do you think the Federal Government has not poured millions and millions of dollars already into the proprietary industry?

Mr. CLARK. I'm not speaking of that kind of assistance.

I'm speaking about a well deserved pat on the back to an industry that's done, for over 200 years in this country, a pretty good job.

You see, money in and of itself isn't going to do anything. It's like pouring water into the ocean. You're being of assistance to someone, but they may not feel it directly.

Putting this kind of money into the programs that they've been doing, that's fine, but nobody out in the country knows about it. You cannot sit down, you see, with high school counselors and ask them, tell me two good things that have been done for proprietary education in the last 2 years. They can't tell you that because they don't know.

We do not supply them with information. We're at fault in the States if the Government is going to put out information through Federal agencies—then why not a pat on the back.

Mr. GRAHAM. Well, doesn't it seem to you that the Government is providing funds for students to go to these schools, and this is a private industry, and, as said before, this is free enterprise. It seems to me that it is up to the schools and the accrediting agencies to get to the high schools and whatever age group that can use these schools.

Mr. CLARK. That's true, but you see, by the same token, you were at fault, the Federal Government, if you say this school may receive guaranteed student loans.

Therefore, the consumer thinks it's a good school, or this school is VA approved, it's a good school, and those schools go out of business, and you are as much at fault as we are, so we've got to put time, money, and manpower into some kind of a concrete assistance program. These are good, because a little pride displayed on the industry might do a great deal to shape up the industry in terms of themselves weeding out other people.

Mr. GRAHAM. Isn't that what the Federal Trade Commission has been doing in their consumer education program?

Mr. CLARK. Yes; certainly.

Mr. GRAHAM. That's all I have.

Mr. LUMAN. Do you favor a trade regulation rule requiring disclosure of completion rates and placement figures by proprietary schools?

Mr. CLARK. Yes; if they do one thing. It's important that in this area, if they say you will place 50 percent of your students, I think the schools should be able to show, because it will be to their benefit, how many young people were placed of the number who went to that school to get a job in the first place, and how many young people who went to that school for no other reason than personal motivation got personal motivation, but to say a flatout 50 percent or 60 percent or 70 percent placement is good is bad because it's a little misleading.

So, yes, I think they should make disclosures, but those disclosures should show the adequate kind of information which will present the best kind of a picture for the institution that's training them.

Mr. LUMAN. Of course, if you throw in personal motivation, you leave a pretty big loophole, don't you, because the schools could claim that everyone who didn't get placed went there for personal motivation.

In other words, I didn't really want to get a job. I just want to know, when I walk down the street, that I know how to weld.

Mr. CLARK. That's true, yes, that's true, and I'll say again, for every attendant good, there's some evil, so we have to take that chance, but it would be far better to make it clear as to who did what, than to give a blanket figure.

Mr. LUMAN. Second, you know, we've talked about how your State has tried to set up various precautions for students, and not only against schools that are located in Indiana, but any school that does business with Indiana, and I think that the committee has been impressed with the work that you've done. We've talked about the fact that the States can do a great deal, but there is no barrier, is there, today for any other State doing what you've done?

Mr. CLARK. Good heavens, no.

Mr. LUMAN. But they have not chosen to do it.

Mr. CLARK. Well, it took us 8 years to get there.

Mr. LUMAN. Well, now, what would you estimate as the time it will take the other 50 States to get there?

Mr. CLARK. As I say, we've got about 36 States now with some kind of a law.

Mr. LUMAN. Let me just interrupt and ask you a minute—in a lot of those States we're not talking about the kind of effort that is being made in your State, isn't that so?

Mr. CLARK. Yes. Let me finish my point. We have about six that are coming on board—that's about 42.

Within the workings of our national association which has been very good in the last couple of years, as we sit with the various State people, when we have a chance to sit down, as the same person doing the same job, and comparing the laws, you see, this is motivation that's coming along too, because they go back to their own States and say, you know, we talked about our law, maybe we ought to look in terms of revising it, or, you know, we were just in another State the other day on a fraud case, where we had gone into the State to get some depositions and work with the people. I talked with the attorney general, he wants our law because his law has no teeth in it. It has nothing in it.

So the timetable is hard to say. Washington is right on the fringe of doing something. We've got some other States about ready.

It's conceivable 5 or 6 years that we could have—and I realize in 5 or 6 years, you can say, well, you know, a lot of people can get it in 5 or 6 years—but we also have the Federal Government and the accrediting bodies still working together, even though we fight, still working, so maybe in 5 or 6 years, if we could get the legislatures—but remember, when you regulate an industry, you've got lobbyists.

Mr. REGULA. You bet. That's why it's slow.

Mr. LUMAN. One final question.

You say on page 7 that the group you are with takes the position on the Mondale amendment that public and private be inserted, which would, I think, give the State OE recognition as an accreditor of private vocational schools.

Mr. CLARK. If they want it.

Mr. LUMAN. Now, if that goes through, what happens to the third leg of the triangle that you tell us is necessary? Why would a school want to pay money to one of the national accrediting associations if the State does it for nothing?

Mr. CLARK. Well, that's a good point. I don't know. We talked about that. We feel that it has to be in the Mondale—we feel to exclude it is as bad as having it in there perhaps.

Would it not be always better to have a kind of accreditation recognized as being that kind that you seek, as opposed to any kind of an accreditation leveled on you by a State agency that you have no choice in getting.

You know, there's a philosophical point here about the status of accreditation or approval again. I will say that that movement of ours to seek that in the Mondale is in no way an indication that we are out after the demise of the accrediting bodies, the State agencies.

We're not, because if we lost the accrediting bodies, that would be terrible because they are very important to us.

Mr. LUMAN. Thank you, Mr. Chairman.

Mr. REGULA. Any further questions?

Mr. PRITCHARD. None, thank you.

Mr. REGULA. I thank you very much, Mr. Clark, for your patience and your candor.

Mr. CLARK. My pleasure, sir.

Mr. REGULA. And we would appreciate getting those standards that you suggested.

[See p. 99.]

Mr. REGULA. The subcommittee will be adjourned until 2 p.m. this afternoon.

[Whereupon, at 11:40 a.m., the subcommittee adjourned, to reconvene at 2 p.m., the same day.]

AFTERNOON SESSION

Mr. HICKS. The subcommittee will be in order.

This afternoon, we will hear testimony from the Office of Education, which affects proprietary education in two major ways: It recognizes accrediting bodies and it operates the guaranteed student loan program and other assistance programs. In its role of recognizing accrediting agencies, OE receives many of the complaints about proprietary school abuses and attempts to resolve them. The Office of Education plays a major role in the proprietary school area by virtue of its functions, and we expect that future improvements will involve OE to a very great degree.

The principal witness here is Mr. Peter Muirhead, Deputy Commissioner, Bureau of Postsecondary Education, U.S. Office of Education, and would you introduce the people who accompany you, please, sir.

STATEMENT OF PETER P. MUIRHEAD, DEPUTY COMMISSIONER, BUREAU OF POSTSECONDARY EDUCATION, U.S. OFFICE OF EDUCATION; ACCOMPANIED BY CHARLES COOKE, JR., DEPUTY ASSISTANT SECRETARY FOR LEGISLATION; JOHN R. PROFFITT, DIRECTOR, ACCREDITATION AND INSTITUTIONAL ELIGIBILITY STAFF; AND JAMES W. MOORE, ACTING ASSOCIATE COMMISSIONER, OFFICE OF GUARANTEED STUDENT LOANS

Mr. MUIRHEAD. Thank you, Mr. Chairman, and I am pleased to be accompanied this afternoon by Mr. Charles Cooke, the Deputy Assistant Secretary for Legislation, in the Bureau of Postsecondary Education, and by Mr. John Proffitt, the Director of our Accreditation and Institutional Eligibility staff, and by Mr. James Moore, the Acting Associate Commissioner in charge of the Office of Guaranteed Student Loans.

Mr. Chairman, I have an extensive statement, and I would like to seek your permission to have it placed in the record. I also would like to have your permission to read and abbreviate it in order that we might rapidly get to the back and forth.

Mr. HICKS. Proceed in any way you please, and the complete statement will of course be included in the record.

[Mr. Muirhead's prepared statement follows:]

PREPARED STATEMENT OF PETER P. MUIRHEAD, DEPUTY COMMISSIONER, BUREAU OF POSTSECONDARY EDUCATION, U.S. OFFICE OF EDUCATION

INTRODUCTION

Mr. Chairman, Members of the Committee, I want to thank you for the opportunity to present this statement to you.

My statement is divided into three major sections. First, I will sketch for you an overview of Institutional Eligibility determination by the Office of Education as it pertains to funding programs or postsecondary educational institutions.

Then, I will move to a discussion of accreditation as it relates to Institutional Eligibility for Federal funding programs.

And finally, I will review the strengths, weaknesses and problem areas which we perceive in the present system for Institutional Eligibility determination—a system which stipulates heavy reliance upon accreditation of educational institutions and programs by private organizations that have no legal responsibility to the Federal government.

Included as portions of my statement are several informational attachments. These include:

1. An eligibility checklist, or chart;
2. A list of Governmental and non-Governmental uses of accreditation; and
3. A list of accrediting agencies recognized by the Commissioner of Education.

OVERVIEW OF INSTITUTIONAL ELIGIBILITY DETERMINATION

Passage of the Higher Education Act and related statutes in 1965 that year launched the need for the Office of Education to determine, compile, and prepare lists of institutions eligible to participate in various Federal education programs established under the Act.

Culmination of the efforts may be seen in the list of over 8,300 institutions cited as eligible to participate in the largest and most broadly based Office of Education program of aid to students: the Guaranteed Student Loan Program, also called the Federal Insured Student Loan program. This program activity currently is providing Federal, State, or nonprofit guarantees to lenders in behalf of nearly seven million separate student loans for nearly seven billion dollars.

To assist with identifying and creating this list of more than 8,300 eligible institutions, the Accreditation and Institutional Eligibility Staff was formed in May of 1968 to produce eligibility determinations for some twenty U.S.O.E. programs. That Staff also provides assistance to other agencies within the Department of Health, Education, and Welfare, such as the Public Health Service in relation to health training programs, plus affording eligibility determinations to the Department of Justice, Federal Aviation Agency, Veterans' Administration, Department of Housing and Urban Development and other Federal and State agencies. Furthermore, it engages in an extensive information dissemination program to institutions, students and the general public regarding eligibility and accreditation matters.

The universe of eligible institutions in the Guaranteed Student Loan Program, which is our largest single listing of eligible institutions, can be divided into seven main categories:

Foreign schools	800
Proprietary	1,685
4-year and higher	1,730
Junior Colleges and Institutes	1,300
Hospital schools of nursing	450
Medical technology and related	1,353
Public area vocational schools	1,000

Institutional eligibility based upon the 1965 Higher Education Act, and the series of amendments and statutes related thereto, is linked to two broad types of Federal program assistance: student financial aid, and direct institutional aid or support. Student financial assistance programs include the Basic and Supplemental Educational Opportunity Grants Program, the College Work-Study Program, the National Direct Student Loan Program and the aforementioned Guaranteed Student Loan Program. Institutional support programs include ones such as that for Strengthening Developing Institutions, the College Library Support Program, and Loans and Grants for Academic Facilities.

The term "Institutions of higher education" as defined in the statutory requirements, include public and nonprofit institutions which offer the traditional collegiate programs of study leading to a degree. The term also includes other public and nonprofit schools which offer one year programs of study that lead to gainful employment in recognized occupations such as hospital schools of nursing and other allied health schools, public area vocational schools and nonprofit business, trade and technical schools. Public and nonprofit institutions which meet all of the other specific requirements stated in the legislation, which I will discuss later, are eligible to participate in institutional support programs and programs that provide financial assistance to students attending these institutions. According to our latest figures, over 3,584 schools meet the statutory definition of "institution of higher education" and have been awarded eligibility status to participate in both institutional support and student financial aid programs.

Eligible proprietary schools may apply for participation in the Supplemental Educational Opportunity Grant Program, the National Direct Student Loan Program and the College Work-Study Program. Presently, 1,341 accredited proprietary institutions are eligible to participate in the Basic and Supplemental Educational Opportunity Grants Program, the National Direct Student Loan Program and the College Work-Study Program.

The Guaranteed Student Loan Program provides for the definition of a special category of schools, called "vocational schools," which include public, private nonprofit and proprietary schools which offer postsecondary occupationally oriented programs to high school graduates and non-high school graduates. Over 3,000 of these vocational schools have been advised of their eligibility for this program. This figure includes 344 unaccredited proprietary vocational schools.

Before any school or intitution may become eligible to participate in education programs administered by the Office of Education, it must meet certain minimum statutory requirements such as those indicated on the attached chart. These statutory eligibility elements fall into three categories. The first of these categories relate to factual information such as type of school, length of programs, and legal authorization. The second category involves special requirements established by program administrators under broader provisions of law, through regulations specifying provisions which participating schools must meet (such as "maintenance of efforts requirements" for library aid programs). The third category deals with the qualitative aspects of schools—or educational programs—in other words, accreditation, or one of the alternatives to accredited status.

It is in administering the Office of Education's responsibilities in relation to the qualitative factor of eligibility (i.e., that dealing with accreditation or its alternatives) that the greatest and most complex problems arise. Before mentioning some of these specific problems, however, we might first discuss accreditation and the Commissioner of Education's recognition of accrediting agencies.

ELIGIBILITY CHECKLIST

INSTITUTION:..............

Eligibility information survey	Yes	No.
1. Admits high school grads (or equivalent only)		
2. Legally authorized by State for postsecondary program		
3. Offers a BA degree or a 2-yr program acceptable toward such		
Or offers a 2-yr associate degree		
Or offers 2-yr vocational/occupational work		
Or offers 1-yr general employment		
4. Public or		
Nonprofit		
Or proprietary		
5. Accreditation		
Or preaccredited		
Or 3-institutional certification		
6. Civil rights compliance		
7. Sectarian		
Regular classes began		
Enrollment		

OVERVIEW OF ACCREDITATION AS IT RELATES TO INSTITUTIONAL ELIGIBILITY

Accreditation is a major factor in establishing the eligibility status of educational institutions and programs to participate in the various Federal funding programs of assistance to education. It also is a unique area in the eligibility determination process, because it is a process which takes place outside the jurisdiction of the Federal government, and it varies considerably in form and purpose, depending upon the organization conducting the process.

Accreditation, a brief view of its history and functions

The practice of accreditation arose around the turn of the century in response to the need to upgrade educational quality and to establish definitions and standards for general collegiate and professional education. It sought to execute a need that is fulfilled in many other countries of the world by ministries of education or other centralized authorities, which exercise quality control functions over education. The philosophy of institutional autonomy in education, and the varying degree of control over institutions of higher education exercised by the States, also contributed to the need for this form of quality identification in education, which is unique to the United States.

Private educational associations of regional and national scope have developed standards and procedures used in conducting peer evaluation aimed at determining whether or not educational institutions or programs are operating at basic levels of quality. The procedures of these accrediting commissions and associations usually involve five basic steps:

1. Establishment of educational standards in collaboration with educational institutions and other appropriate constituencies;
2. Conduct of institutional or program self-study by applicants for accreditation under the guidance of the accrediting body;
3. On-site evaluation by a team of peers, selected by the accrediting body, in order to determine first-hand if the institution's objectives and the accrediting body's standards are being met;
4. Publication of the accredited status of those institutions or programs which are determined by the accrediting body to have met its standards;
5. Periodic reevaluation of accredited institutions or programs to determine whether or not they continue to meet the established standards.

The nongovernmental accrediting agencies fall into two major categories—institutional and specialized. Institutional accreditation is conducted by agencies such as the commissions of the six regional accrediting associations. For example, the Southern Association of Colleges and Schools maintains four accrediting commissions—one for elementary schools, one for secondary schools, one for vocational schools, and one for degree-granting collegiate institutions.

Each regional association maintains at least one commission on higher education and one on secondary education. Two associations have established commissions for postsecondary occupational education and one has established a commission on elementary schools. Institutional accreditation applies to the total institution and signifies that the insitution as a whole is achieving its objectives satisfactorily.

Specialized accreditation is conferred by a number of organizations which are national in scope, rather than regional, and each of which represent a specialized area, such as architecture, business, law, medicine, or teacher education. A primary purpose of specialized accreditation is to protect the public against professional or occupational incompetence. A majority of the programs evaluated by such agencies are located in regionally accredited institutions. However, most of the national specialized accrediting groups, in addition to accrediting programs within institutions, also accredit some specialized institutions which are not accredited by regional association commissions. Relatively recent newcomers to the accreditation scene are the specialized agencies dealing with the private (mostly for-profit) vocational sector of education, including business, cosmetology, home study education, and trade and technical education. These agencies deal with education located outside of the college and university sector, and, therefore, with varying emphases, evaluate both institutional and programmatic aspects of their educational universe.

History of criteria for listing nationally recognized accrediting agencies and associations

Although the Office of Education has dealt with the accrediting agencies throughout much of its history, it was not until the enactment of the Veterans' Readjustment Assistance Act of 1952 (P.L. 82-550) that the U.S. Commissioner of Education was required, for the first time, to publish a list of nationally recognized accrediting agencies and associations which we determined to be reliable authority as to the quality of training offered by an educational institution. This statutory provision was subsequently restated in at least 14 major Federal aid-to-education legislative acts. In October 1952, subsequent to the passage of the Veterans' Readjustment Assistance Act, Criteria for the Recognition of National Accrediting Agencies and an initial list of 28 agencies so recognized were published. By 1967, there were 36 agencies listed by the Commissioner.

The 1952 Criteria remained in effect until January 16, 1969, when the current Criteria for determining nationally recognized accrediting agencies and associations were published in the *Federal Register*. By 1972, the Commissioner's list of recognized accrediting agencies had grown to 47, and by May of this year, 61 agencies were listed. Some ten additional accrediting agencies are in varying stages of petitioning the Commissioner for recognition and listing.

On March 1, 1974, revised Criteria for Nationally Recognized Accrediting Agencies and Associations were published under Notice of Proposed Rule Making in the *Federal Register*. The final version of these new criteria are currently in process of being published. We anticipate that they will become effective soon. A further revision of the criteria will be published by June 30, 1975.

Features of the proposed revised Criteria may be grouped into four broad categories which seek to insure the functionality, responsibility, reliability, and autonomy of nationally recognized accrediting agencies. More specifically, these elements include, in operation, the following:

(*a*) *Functionality*.—An accrediting agency should be regional or national in its scope of operations and maintain a clear definition of its activities, both as to geographic area and nature and type of institutions or programs covered. It should have adequate administrative and financial support to carry out its accrediting programs, and should have access to a sufficient number of competent and knowledgeable personnel to participate on visiting teams, on its decision-making committee, and as consultants. The agency shall also have developed clearly written procedures for each level of accreditation status, including institutional or program self-analysis and on-site reviews by a visiting team.

(*b*) *Responsibility*.—Considerations herein include: A clearly identified need for accreditation by the agency in the field in which it operates; responsiveness to the public interest; adequate provisions for due process in accrediting procedures; demonstrated capability and willingness to foster ethical practices among the institutions or programs which it accredits; a program of evaluation of educational standards.

(*c*) *Reliability*.—The agency demonstrates wide acceptance of its policies, procedures, and decisions: Regular review of its standards and procedures; experience as an accrediting agency; and representation in its policy and decision-making bodies of the community of interests directly affected by the scope of its accreditation.

(*d*) *Autonomy*.—The agency must demonstrate the autonomy and independence of its decisions from outside influences.

It is noteworthy that these revised Criteria place increased emphasis upon accrediting agencies' responsibility to the public interest and their reliabilty of operations.

Whereas the various versions of the Criteria for Nationally recognized Accrediting Agencies and Associations have been the Office's instrument for directly supporting constructive change in the area of accreditation as it relates to the eligibility process, the Office has funded or supported a number of projects over the past six years designed to improve indirectly the effectiveness of the eligibility determination process:

1. Study of Accreditation of Vocational-Technical Curricula in Postsecondary Institutions, conducted by the Center for Research and Development in Higher Education of the University of California under contract with the Office of Education;

2. National Study for Accreditation of Vocational/Technical Education, conducted by the American Vocational Association under contract with the Office of Education;

3. Study of Licensure and Related Health Personnel Credentialing, conducted by the Department of Health, Education, and Welfare;

4. Study of Accreditation of Selected Health Educational Programs, sponsored by the American Medical Association, the Association of Schools of Allied Health Professions, and the National Commission on Accrediting;

5. Model State Legislation for Approval of Postsecondary Educational Institutions and Authorization to Grant Degrees, developed by the Education Commission of the States through funds supplied by the Office of Education, the Veterans' Administration, and the Department of Defense; and

6. Study of Private Accrediting and Public Funding, prepared for the Office of Education under contract with the Brookings Institution and the National Academy of Public Administration Foundation.

Review procedures for listing nationally recognized accrediting agencies

Those accrediting agencies requesting recognition by the Commissioner of Education undergo intensive review by the Office's Accreditation and Institutional Eligibility Staff and by the Commissioner's Advisory Committee on Accreditation and Institutional Eligibility, in order to determine whether or not they comply with the Criteria for Nationally Recognized Accrediting Agencies and Associations.

The Accreditation and Institutional Eligibility Staff was established by the Commissioner of Education in 1968 in order to centralize matters within the Office of Education dealing with eligibility and accreditation and to provide support for the Commissioner of Education's Advisory Committee on Accreditation and Institutional Eligibility.

Accrediting agencies seeking recognition by the Commissioner or those undergoing regular periodic review, file petitions with the Director of the Accreditation and Institutional Eligibility Staff. The Staff reviews the petition and may take various investigative steps in order to prepare a summary report to the Advisory Committee concerning the applicant's status with the Criteria for Nationally Recognized Accrediting Agencies and Associations. At the time of the Advisory Committee review, agency representatives and interested third parties are offered time for brief oral presentation before the Committee. The Advisory Committee recommendations regarding petitioning accrediting agencies are forwarded to the Commissioner of Education for his review. The Commissioner informs the applicants of his decision following his consideration of the Advisory Committee's recommendations.

Agencies listed, or recognized, by the Commissioner are normally reviewed every four years. Developing agencies may be given a shorter period of recognition, indicating the Commisioner's determination that such agencies have potential to eventually fulfill the Criteria. The Commissioner exercises the right to review at any time a recognized agency which has developed problems relevant to its compliance with the Criteria.

Appeals of the Commissioner's decisions are heard by specially constituted panels of knowledgeable nongovernmental persons who are not members of the Advisory Committee. These hearing panels report directly to the Commissioner, who acts upon their advice.

The Advisory Committee performs a key role in the process of recognizing accrediting agencies and associations for the purpose of determining institutional or program eligibility for Federal funding programs. The Committee was established by the Secretary of Health, Education, and Welfare in 1968 and was subsequently chartered under the Federal Advisory Committee Act (P.L. 92–463). It is composed of 15 members from various segments of the secondary and postsecondary education community, student/youth population, State departments of education, professional associations, and the general public. The Committee is advisory to the Secretary of Health, Education, and Welfare and the Commissioner of Education. Its functions include the authority to:

1. Review all current and future policies relating to the responsibility of the Commissioner for the recognition and designation of accrediting agencies and associations wishing to be designated as nationally recognized accrediting agencies and associations, and recommend desirable changes in criteria and procedures;

2. Perform similar functions relevant to the Commissioner's authority to recognize State agencies for approval of public postsecondary education and nurse education;

3. Review and advise the Commissioner of Education in the formulation of all current and future policy relating to institutional eligibility;

4. Review legislation affecting the Office of Education's responsibility in the area of accreditation and institutional eligibility and recommend needed changes;

5. Review and recommend action to the Commissioner of Education regarding applicant national accrediting agencies and State vocational and nurse education approval agencies;

6. Develop standards and criteria for specific categories of vocational training institutions and institutions of higher education which have no alternative route by which to establish eligibility for Federal funding programs;

7. Advise the Commissioner regarding the award of degree-granting status to Federal agencies and institutions.

Strengths, weaknesses, and problem areas in the present system

I turn now to several key observations about the dynamics of the present system, gleaned from the Office's six years' experience in monitoring the eligibility mechanism I have described above. These observations are offered in the spirit of enlisting your continued support for the improvement of the system.

1. The relative autonomy of the accrediting agencies

Accreditation has been written into Federal legislation as a quality control device in order to help ensure the Government's investment in postsecondary education, and, even more importantly, as a means of aiding students and others in identifying institutions and programs deemed to be educationally worthy. We must constantly bear in mind, however, that the accrediting agencies are private, independent, voluntary agencies having discrete, albeit laudable, purposes which do not always coincide neatly with the objectives inherent in Federal aid to education.

Accrediting agencies are committed philosophically to stimulation of institutional or programmatic uplift through a traditional pattern of expert peer review. They do not view themselves, nor do they function, as regulatory bodies. They have no legal authority to require compliance; they work instead by persuasion to maintain understanding and acceptance of their role and function by their constituents and the general public. All accrediting agencies are limited in funds and staffing, and rely heavily on volunteer labor from member organizations. All are now deeply aware of, and some have already experienced, a marked vulnerability to litigation, which they are ill-prepared to engage in successfully.

One aspect of the Office's relationship to accrediting agencies involves the processing of complaints against accredited schools and schools which are eligible for participation in Federally-funded programs of assistance to postsecondary education. Complaints about schools—whether accredited or non-accredited—are directed to the Accreditation and Institutional Eligibility Staff from many sources. These include parents, consumer organizations, students, USOE regional offices, other divisions within O.E., other Federal and State agencies, the Congress, and the White House. These complaints include such matters as misrepresentation by salesmen, inadequate or late refunds of tuition, poor quality of instruction or equipment, and enrollment of persons incapable of benefiting from the instruction.

Although the Office is not empowered to exercise direct control over educational institutions, it does seek to determine, in the case of accredited schools, whether or not a possible violation of the accrediting agency's standards has occurred in such complaint cases.

The Staff reviews each complaint and, if an accredited school is involved, directs a copy of the complaint to the appropriate accrediting agency with a request that the agency review the matter and report its findings to the Staff. The Staff, in turn, reviews the report of the accrediting agency and informs the complainant of the agency's findings. In the event that the Staff is not satisfied that the accrediting agency has investigated the matter thoroughly or if the complainant provides additional substantive information relating to the complaint, the Staff may ask the accrediting agency to review the matter further.

Although the Staff usually directs complaints against accredited schools to the appropriate agency for investigation, the Staff may, at times, correspond directly with schools regarding alleged educational malpractice. Such was the case in connection with a series of articles dealing with proprietary vocational schools which recently appeared in the *Boston Globe.*

The *Globe* accused several proprietary vocational schools operating in the Boston area of a variety of abuses ranging from misleading advertising to violation of State laws. Inasmuch as several of the schools named by the *Globe* are accredited by nationally recognized accrediting agencies, these abuses, if actually committed, would indicate serious violations of the agencies' accreditation standards. Accordingly, the Staff corresponded with the accrediting agencies and requested that they submit to O.E. a report of their investigation of the matter. Further, because several of the schools cited are eligible for Federal financial assistance programs administered by O.E., the Staff wrote to each eligible institution and requested that it provide O.E. with its response to the *Globe* allegations. Presently, the Office of Education still is in the midst of an intensive review of the cases and issues revealed by the *Globe* articles. A report on this will be presented to the Commissioner's Advisory Committee sometime this fall.

Another timely series of articles regarding the trade school industry was published recently in the *Washington Post.* Entitled, "The Knowledge Hustlers," these articles provide another perspective on what, hopefully, is a national effort to rid the Nation of fraud, exploitation, and deceit wherever practiced on Americans seeking to further their education. The *Post* series gives greater visibility to important issues regarding which the Federal Government is working closely with State and private groups in an effort to fashion solutions.

The relevant statutes speak only to the Federal reliance on the *outputs* of the accrediting agencies for eligibility purposes, and those outputs are the lists of accredited institutions or programs maintained by every accrediting body. Because of the vast sums of Federal money which ultimately flow through reliance upon the accrediting mechanism, however, the Office has deemed it only prudent to establish, and gradually intensify, Federal oversight of the operations of those accrediting agencies recognized by the Commission. One of the pressing questions right now is just how far this oversight can and should go in order to achieve realistic assurance that both the student's educational rights and the taxpayer's dollars are protected while, at the same time, avoiding unwarranted Federal intrusion into the educational process.

2. *Problems of consistency within a heterogeneous universe*

Because of the need for consistency in administration, there is a tendency to think of "postsecondary education" as a homogeneous entity. This frame of reference has been reinforced by an active Federal posture against discrimination of any sort against any of the various categories of schools. In reality, however, the postsecondary educational universe is a set of heterogeneous subsystems.

With the establishment of each new funding program, O.E. has found the problems becoming more complex in sorting out the real from the imagined differences among institutional types, particularly as categorized by type of control: public, private non-profit, and proprietary, or profit-making. Though the educational funding statutes make some provision for stricter treatment and limited benefits for profit-making schools, they are silent on the extent to which the public should be protected from unethical school operators who are more interested in profits than in educaton. The Office of Education has been examining the problem of need and justification for valid, differentiated standards in this regard for some time now. From a practical standpoint, O.E. has determined that one feasible attack upon this problem can be made by shoring up educational consumer protection in general, a subject which shall be treated separately below.

3. *Increasing complexity of eligibility determination*

We are all aware of the fast-paced change taking place all around us, and education is logically in as much ferment as is the rest of society. The basic philosophical framework for Federal reliance on the private mechanism of accreditation for eligibility purposes was developed initially for the 1952 Korean GI Bill (twenty-two years ago) and reinforced by adoption of the 1958 National Defense Education Act (sixteen years ago). It was essentially retained during the mid-sixties when landmark legislation in support of higher education was enacted (approximately ten years ago). We should not be surprised to find, then, strains and bruises as we attempt to resolve today's eligibility problems into statutes that were designed to suit another era. Almost twenty classes of students have enrolled, under Federal funding assistance programs, in the halls of ivy since the Korean GI Bill became law.

Some specific illustrations will convey my meaning better. Without elaboration, I shall merely cite eight eligibility dilemmas currently facing the Office, none of which is adequately addressed by statute, regulation, or guideline:

1. Open universities, or external degree and other non-traditional programs
2. Foreign institutions
3. Branch Campuses
4. Postsecondary occupational-technical education
5. Library institutions, organizations, and agencies
6. Combinations of institutions (consortia, etc.)
7. Partially eligible institutions
8. Small, free-standing, special purpose institutions
9. Part-time study and continuing education

Two other basic points should be made with regard to difficulties in eligibility determinations. First, the Office must deal sympathetically with the accrediting agencies' attempt to address what they see as their own goals, needs and purposes. The objectives of some of the accrediting organizations occasionally are not targeted fully on broader public or social goals. Under present regulations, there often is nothing that can be done when such unfavorable impact occurs. Second, informed and discerning administration of the existing eligibility machinery is not limited to declaring institutions and program eligible, but also to declaring them ineligible when necessary in an appropriate and timely manner. Indeed, the ability to act swiftly and fairly on the termination of eligibility is extremely critical when an institution's quality situation is deteriorating rapidly.

The authority to develop regulations to limit, suspend or terminate eligibility for the Federally Insured Student Loan Program was obtained in the Higher Education Amendments of 1972, and procedures are presently being drafted under this authority.

4. Educational consumer protection

Utilizing the concept of educational consumer protection, the Office has been moving strongly on this front during the past two years. Specifically, the Office of Education has supported, participated in or accomplished the following general remedies for unethical school practices in postsecondary education:

(1) Information exchange with States, the Federal Trade Commission, and other Federal agencies concerning consumer complaints against educational institutions falling within the purview of these agencies;

(2) Support and consultation regarding FTC's development of consumer education materials and Guides for Private Vocational and Home Study Schools;

(3) Support and consultation with various States on special programs and improvement of legislation in the educational realm;

(4) Provision of contract funds, in conjunction with the Department of Defense and the Veterans Administration, for the development of a model State law governing the approval of private postsecondary schools by the Education Commission of the States;

(5) Funding by the Office for a study of the interface between private accreditation and eligibility for participation in Federal education programs (in the final stages of completion by the Brookings Institution);

(6) Creation and operation of the Federal Interagency Committee on Education's Subcommittee on Educational Consumer Protection. This Subcommittee, in which O.E. serves as the lead agency, presently is preparing a report outlining a proposed Federal strategy for dealing with the overall educational consumer protection problem. This report will be presented to the Interagency Committee at its September meeting;

(7) Revision of the Criteria for Nationally Recognized Accrediting Agencies and Associations to provide both specific and general requirements for responsibility and accountability to the public interest on the part of accrediting agencies and associations listed by the Commissioner of Education;

(8) Initiation of improved methods for reviewing accrediting agencies and associations having status with the Office;

(9) Review by the Commissioner's Advisory Committee on Accreditation and Institutional Eligibility of matters pertaining to the ethical operation of eligible educational institutions; and

(10) Tightening of the "three-institutional-certification" procedure—a statutory alternative to accreditation by a nationally recognized accrediting agency by which an institution may demonstrate that its credits are accepted, on transfer, by not less than three institutions which are so accredited, for credit on the same basis as if transferred from an institution so accredited.

I want now to elaborate briefly on two items in the realm of educational consumer protection. First, while considerable publicity has been given to the unethical practices of certain proprietary schools, there is growing evidence that similar problems exist at nonprofit vocational and collegiate institutions. As the competition for students becomes more acute, it is possible that many of these institutions are adopting practices previously ascribed only to the proprietary school industry.

Second, increased reliance on State agencies to provide added consumer protection in postsecondary education is a matter which deserves thorough exploration at this time. One salient advantage in using State agencies, when they are efficient and effective, is that they generally can provide closer surveillance and oversight, and can react more quickly, than can a regional or national organization or agency.

Summary.—I have tried above to sketch out for you our view of the real world of accreditation and institutional eligibility as we see it today from our particular vantage point. It is not an altogether gloomy picture. A true statistical perspective tells us that Federal aid to postsecondary education has been a phenomenal success: billions of dollars have flowed, millions of students have benefited, and thousands of institutions have been strengthened for service to the nation. There is a great deal to be proud of.

It is becoming increasingly evident, however, that the national concern for extending postsecondary education opportunities to all who desire and can benefit from them will require more diversification and flexibility in obtaining these opportunities than is now the case. This, of course, means that accreditation and eligibility procedures must be adapted to these changing conditions, while at the same time preserving institutional autonomy and protecting the educational consumer interest. With your continued good help, we shall try to hammer out eligibility standards that will facilitate needed changes and innovations in postsecondary education—standards that will be strict enough to protect the public interest but flexible enough to encourage rather than inhibit needed changes and innovations in postsecondary education.

Mr. MUIRHEAD. Thank you ever so much.

Let me then say, Mr. Chairman, and members of the committee, I want to thank you for the opportunity to present this statement, and indicate to you that it is divided into three sections.

The first is an overview of institutional eligibility, then a discussion of accreditation as it relates to institutional eligibility, and finally, we would like to share with you some problem areas which we have encountered in carrying out our responsibilities.

The institutional eligibility problem relates back to the passage of the Higher Education Act and related statutes in 1965 in which we were required to prepare lists of institutions eligible to participate in various Federal education programs established under the act.

That effort has resulted in establishing a list of over 8,300 institutions which are now cited as eligible to participate in the largest and most broadly based Office of Education program of aid to students—the guaranteed student loan program.

To give you some idea as to the universe of the institutions that are declared to be eligible to participate in the Federal program, I would just like to share with you that they are divided as follows: Foreign schools, 800; proprietary, 1,685; 4-year and higher, 1,730; junior colleges and institutes, 1,300; hospital schools of nursing, 450; medical technology and related, 1,353; and public area vocational schools, 1,000.

That gives you some idea of the diversity of postsecondary education institutions.

Institutional eligibility, insofar as we are required to carry it out, is linked to two broad types of Federal program assistance, one, student financial aid, and two, direct institutional aid or support.

The term "institutions of higher education" is defined in the statute as including public and nonprofit institutions which offer the traditional programs of study leading to a degree. The term also includes a variety of other institutions, including public and nonprofit schools which offer programs of a shorter duration and not necessarily leading to a degree.

Let me move then, if I may, to the program that is before you, and to which you are giving your particular attention—the guaranteed student loan program.

The guaranteed student loan program provides for the definition of a special category of schools, called vocational schools, which include public, private nonprofit and proprietary schools, which offer postsecondary occupationally oriented programs to high school graduates and non-high school graduates. Over 3,000 of these vocational schools have been advised of their eligibility for this program. This figure includes 344 unaccredited proprietary vocational schools.

Before any school or institution may become eligible to participate in education programs administered by the Office of Education, it must meet certain minimum statutory requirements. We have prepared those in a chart which we will include in the statement that we submit to the record. It is in carrying out the particular responsibility of determining eligibility on the basis of accreditaton, that the greatest and most complex problems arise. Before mentioning some of those problems, it might be helpful in our discussion to discuss accreditation and the Commissioner of Education's recognition of accrediting agencies.

Accreditation is a major factor in establishing the eligibility status of educational institutions and programs to participate in the various Federal funding programs of assistance to education.

It also is a unique area in the eligibility determination process, because it is a process which takes place outside the jurisdiction of the Federal Government, and it varies considerably in form and purpose, depending upon the organization conducting the process.

I have in the statement which we will submit to the record a brief view of the history of accreditation. It is a quality determination process unique to this country, where we do not have a ministry of education per se.

We rely upon accrediting associations, which represent institutions of postsecondary education or organizations interested in a specialized area of study, and we accept their recommendations, rather than have the Federal Government determine whether or not they are accredited.

The statement which I will submit for the record will discuss in some detail the procedures that are followed by the accrediting associations and agencies in determining whether or not an institution is indeed accredited.

I would like to move now, if I may, to the responsibility which rests with the Commissioner of Education to list the nationally recognized accrediting agencies and associations, a responsibility that was conferred upon him by the Congress.

Although the Office of Education has dealt with accrediting agencies throughout much of its history, it was not until the enactment of the Veterans Readjustment Assistance Act of 1952 (Public Law 82–550) that the U.S. Commissioner of Education was required, for the first time, to publish a list of nationally recognized accrediting agencies and associations which he determined to be reliable authority as to the quality of training offered by an educational institution.

The 1952 criteria remained in effect until January 16, 1969, when the current criteria for determining nationally recognized accrediting agencies and associations were published in the Federal Register. By 1972, the Commissioner's list of recognized accrediting agencies had grown to 47, and by May of this year, 61 agencies were listed, and I can report to you now that there are 10 additional agencies in varying stages of petitioning the Commissioner for listing.

Mr. Hicks. When they ever get on that list, are they ever removed?

Mr. Muirhead. There is provision for removing agencies from that list—after affording due process, as you would expect—if the agencies do not continue to meet the criteria.

Mr. Hicks. Have any been removed in the 20-year or the 25-year period, have they been removed, have any been removed?

Mr. Muirhead. We have not had a case of one being removed from that list.

We have had many cases of agencies applying to be on the list that have not appeared on the list.

Mr. Hicks. Thank you.

Mr. Muirhead. We have developed revised criteria for nationally recognized accrediting agencies, and they were published in the Federal Register of March 1, 1974. Those criteria are spelled out in some detail in the statement. They cover what we expect an accrediting agency to do, in order to meet the requirement for being listed, and they cover such points as whether or not they really are functional, whether or not they are responsible, whether or not they are reliable, and whether or not they do have freedom of action or autonomy. The criteria also make provision for review in later years.

The very fact that they appear on the list doesn't guarantee that they will appear there forever.

We have in the statement which will be submitted for the record a review of the procedures that we follow for listing nationally recognized agencies, and I think it fair to point out, Mr. Chairman, that these steps are rather rigorous and that an accrediting agency that finally does emerge with the approval of the Commissioner has indeed met high standards for being listed.

But we also should report to you that agencies that are listed or recognized by the Commissioner are normally reviewed every 4 years.

We should also report to you that if an agency does make application for appearing on the Commissioner's list and does not appear on that list, that agency may appeal to a special hearing panel which reports directly to the Commissioner.

The key element in carrying out this activity under the direction of the Accreditation and Institutional Eligibility Staff is an advisory committee, and that advisory committee plays a key role in the process of recognizing accrediting agencies and associations. With your permission, Mr. Chairman, I would like to submit the names of the members of that committee for the record.

[The information referred to follows:]

ADVISORY COMMITTEE ON ACCREDITATION AND INSTITUTIONAL ELIGIBILITY

MEMBER AND EXPIRATION DATE

Dr. John E. Barrows, Director of Institutional Studies, University of Kentucky, Lexington, Kentucky 40506, June 30, 1975.

Mr. Thomas Bolton, President, Mills River Tomato Corporation, P.O. Box 67, Horse Shoe, North Carolina 28742, June 30, 1976.

Ms. Roma Brown, Council on Health Organizations, Association of Schools of Allied Health, 7720 "C" Stenton Avenue, Apt. #206, Philadelphia, Pennsylvania 19118, June 30, 1975.

The Honorable Lillian W. Burke, Judge, Cleveland Municipal Court, Cleveland City Hall, Cleveland, Ohio 44114, June 30, 1976.

Ms. Marie A. Chavez, 1005 Jenkins, University of Oklahoma, Norman, Oklahoma 95069, June 30, 1974.

Dr. Leadie M. Clark, Assistant Superintendent of Instruction, Los Rios Community College District, 2011 Arden Way, Sacramento, California 95825, June 30, 1976.

Dr. George L. Grassmuck, Professor of Political Science, University of Michigan, Ann Arbor, Michigan 48104, June 30, 1976.

Mr. John F. X. Irving, Esq., Dean, Seaton Hall University School of Law, 40 Clinton Street, Newark, New Jersey 07102, June 30, 1974.

Mr. Abner V. McCall, Esq., President, Baylor University, Waco, Texas 76703, June 30, 1975.

Mr. Wendall H. Pierce, Executive Director, Education Commission of the States, 300 Lincoln Tower Building, 1860 Lincoln Street, Denver, Colorado 80203, June 30, 1974.

Mr. George L. Ramey, Director, Mayo State Vocational School, Third Street, Paintsville, Kentucky 41240, June 30, 1975.

Dr. James P. Steele, Vice President, American College of Radiology, Box 650, Yankton, South Dakota 57078, June 30, 1974.

Dr. Walter D. Talbot, State Superintendent of Public Instruction, Utah State Board of Education, Salt Lake City, Utah 84111, June 30, 1976.

Mr. Valleau Wilkie, Jr., Executive Vice President, Sid Richardson Foundation, Fort Worth National Bank Building, Fort Worth, Texas 76102, June 30, 1974.

Mr. Philip H. Wye, Haven Junior High School, 2417 Prairie, Evanston, Illinois 60202, June 30, 1975.

Mr. MUIRHEAD. Having then shared with you in brief form the procedures that are used in determining how an accrediting agency is included on the Commissioner's list, and having shared with you the procedures whereby institutions may be declared eligible for Federal funding, whether it be student assistance or institutional assistance, let me share with you, in brief form, some of the problems that we have encountered as we've carried out our statutory responsibility during the past 6 years.

These observations, I should briefly point out, are offered in the spirit of enlisting your continued support for improvement of the system.

The first problem is that of the relative autonomy of the accrediting agencies.

Accreditation has been written into Federal legislation as a quality control device in order to help insure the Government's investment in postsecondary education, and, even more importantly, as a means of aiding students and others in identifying institutions and programs deemed to be educationally worthy. We must constantly bear in mind, however, that the accrediting agencies are private, independent, voluntary agencies having discrete, albeit laudable, purposes which do not always coincide neatly with the objectives inherent in Federal aid to education.

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Complaints about schools—whether accredited or nonaccredited—are directed to the Accreditation and Institutional Eligibility Staff from many sources.

These include parents, consumer organizations, students, USOE regional offices, other divisions within OE, other Federal and State agencies, the Congress, and the White House.

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Because of the vast sums of Federal money which ultimately flow through reliance upon the accrediting mechanism, however, the Office has deemed it only prudent to establish, and gradually intensify, Federal oversight of the operations of those accrediting agencies recognized by the Commissioner. One of the pressing questions right now is just how far this oversight can and should go in order to achieve realistic assurance that both the student's educational rights and the taxpayer's dollars are protected while, at the same time, avoiding unwarranted Federal intrusion into the educational process.

Mr. Hicks. Who makes that determination?

Mr. Muirhead. We have no good yardstick for making that determination, other than that we have a policy of saying that in weighing whether or not a school is providing quality education we shall rely upon the accrediting agency. However, we are becoming increasingly concerned, as I'm sure you are, that the Federal interest must be served by protecting the rights of the student, and by preventing him from being exploited.

Mr. Hicks. How are you evidencing that concern?

Mr. MUIRHEAD. We respond to the complaints which we have, then correspond directly with the institution and with the accrediting agency. Also, we are moving now to put into the regulatory mechanism of the Office of Education some new requirements which will be addressed to limiting, suspending, or terminating institutions which are practicing activities that are against the public interest and that are against the consumer interest.

Mr. HICKS. When you say we are doing that, are you referring to you gentlemen at the table there?

Mr. MUIRHEAD. I am referring to the Department of Health, Education, and Welfare and the development of regulations to carry out a statutory direction which we have from the Congress to establish standards by which we can limit, suspend, or terminate eligible institutions which practice activities that are contrary to the public interest.

Mr. HICKS. How long have you been doing this?

Mr. MUIRHEAD. We have been working on this now for the past 18 months, and we are now in the process of presenting these regulations for publication in the Federal Register.

Mr. HICKS. How long have you had the authority to do this?

Mr. MUIRHEAD. We have had the authority to do this since the enactment of the education amendments of 1972.

Mr. HICKS. Mr. Luman?

Mr. MUIRHEAD. I would like to share with you just a couple of other items or problems.

Mr. HICKS. Very well.

Mr. MUIRHEAD. The second area of problems that we have encountered in our experience in carrying out our eligibility responsibilities stems from a lack of consistency within the postsecondary education community.

Let me say that because of the need for consistency in administration, there is a tendency to think of postsecondary education as a homogeneous entity.

This frame of reference has been reinforced by an active Federal posture against discrimination of any sort against any of the various categories of schools, and that is good. In reality, however, the postsecondary educational universe is a set of heterogeneous subsystems.

With the establishment of each new funding program, OE has found the problems becoming more complex in sorting out the real from the imagined differences among institutional types, particularly as categorized by type of control: Public, private nonprofit, and proprietary, or profitmaking.

Though the educational funding statutes make some provision for stricter treatment and limited benefits for profitmaking schools, they are silent on the extent to which the public should be protected from unethical school operators who are more interested in profits than in education.

The Office of Education has been examining the problem of need and justification for valid, differentiated standards in this regard for some time now.

From a practical standpoint, OE has determined that one feasible attack upon this problem can be made by shoring up educational consumer protection in general, a subject which shall be treated separately below.

We also find a third problem, and that is the increasing complexity of eligibility determination.

We are all aware of the fast-paced change taking place all around us, and education is logically in as much ferment as is the rest of society. The basic philosophical framework for Federal reliance on the private mechanism of accreditation for eligibility purposes was developed initially for the 1952 Korean GI bill (22 years ago) and reinforced by adoption of the 1958 National Defense Education Act (16 years ago).

It was essentially retained during the mid-sixties when landmark legislation in support of higher education was enacted (approximately 10 years ago).

We should not be surprised to find, then, strains and stresses as we attempt to resolve today's eligibility problems into statutes that were designed to suit another era. Almost twenty classes of students have enrolled, under Federal funding assistance programs, in the halls of ivy since the Korean GI bill became law, and we are faced with an altogether different set of circumstances now.

You could prepare your own list. Let me suggest my list of circumstances that have come into being in the last 22 years that we have not addressed as yet in determining eligibility.

We now have open universities, or external degree programs, and other types of nontraditional study which all of us are encouraging.

We now have to deal with foreign institutions which we did not have to deal with 22 years ago.

There has developed a whole series of branch campuses which were not in place 22 years ago.

We have had an increasing emphasis on postsecondary occupational-technical education.

We're witnessing now a number of small, freestanding special purpose institutions.

We are now hopefully placing additional emphasis upon part-time study and continuing education, so the standards for eligibility that stood the test of the education community 22 years ago need to be reexamined in light of today's developments.

I would like to say that two other basic points should be made with regard to difficulties in eligibility determinations.

First, the Office must deal sympathetically with the accrediting agencies' attempts to address what they see as their own goals, needs, and purposes. The objectives of some of the accrediting organizations occasionally are not targeted fully on broader public or social goals. Under present regulations, there often is nothing that can be done when such unfavorable impact occurs.

Second, informed and discerning administration of the existing eligibility machinery is not limited to declaring institutions and programs eligible, but also to declaring them ineligible when necessary in an appropriate and timely manner. Indeed, the ability to act swiftly and fairly on the termination of eligibility is extremely critical when an institution's quality situation is deteriorating rapidly.

The authority to develop regulations to limit, suspend, or terminate eligibility for the federally insured student loan program was obtained in the Higher Education Amendments of 1972.

As I already reported, we are moving to publish regulations that would enable us to carry out the sense of that statute.

We have another problem, just as you have a problem, and probably the major problem that is before you. That is, what can we do about protecting the consumer who is seeking educational services.

We have been moving strongly on this front in the past 2 years.

Specifically, the Office of Education has supported, participated in, or accomplished the following general remedies for unethical school practices in postsecondary education:

Information exchange with States, the Federal Trade Commission, and other Federal agencies concerning consumer complaints against educational institutions falling within the purview of these agencies;

Support and consultation regarding FTC's development of consumer education materials and guides for private vocational and home study schools;

Support and consultation with various States on special programs and improvement of legislation in the educational realm;

Provision of contract funds, in conjunction with the Department of Defense and the Veterans' Administration, for the development of a model State law governing the approval of private postsecondary schools by the education commission of the States; and

Funding by the Office for a study of the interface between private accreditation and eligibility for participation in Federal education programs—in the final stages of completion by the Brookings Institution.

And we have a number of other areas in which we have taken some initiative in this regard, which I will be pleased to submit for the record.

Let me then summarize this, if I may. I would like to comment briefly on two items in the realm of educational consumer protection.

First, while considerable publicity has been given to the unethical practices of certain proprietary schools, there is growing evidence that similar problems exist at nonprofit vocational and collegiate institutions. As the competition for students becomes more acute, it is possible that many of these institutions are adopting practices previously ascribed only to the proprietary school industry.

Second, increased reliance on State agencies to provide added consumer protection in postsecondary education is a matter which I think deserves thorough exploration at this time. One salient advantage in using State agencies, when they are efficient and effective, is that they generally can provide closer surveillance and oversight, and can react more quickly, than can a regional or national organization or agency.

I have tried above to sketch out for you our view of the real world of accreditation and institutional eligibility as we see it today from our particular vantage point. It is not an altogether gloomy picture.

A true statistical perspective tells us that Federal aid to postsecondary education has been a phenomenal success: Billions of dollars have flowed, millions of students have benefited, and thousands of institutions have been strengthened for service to the Nation. There is a great deal to be proud of.

It is becoming increasingly evident, however, that the national concern for extending postsecondary education opportunities to all who desire and can benefit from them will require more diversification and flexibility in obtaining these opportunities than is now the case.

This, of course, means that accreditation and eligibility procedures must be adapted to these changing conditions, while at the same time preserving institutional autonomy and protecting the educational consumer interest.

With your continued good help, we shall try to hammer out eligibility standards that will facilitate needed changes and innovations in postsecondary education—standards that will be strict enough to protect the public interest but flexible enough to encourage rather than inhibit needed changes and innovations in postsecondary education.

If there are some questions which we could be helpful in responding to, Mr. Chairman, we would be pleased to do so now.

Mr. Hicks. Thank you very much.

Mr. Luman?

Mr. Luman. Mr. Muirhead, the complaint listing received by your Office indicates that from 1969 through 1974, 28 percent had to do with refund policy in proprietary schools, 27 percent with misrepresentation in advertising, and 10.5 percent with job placement services.

Now, the Federal Government has been traditionally leery of getting into what might be called the quality of education, which I assume may be covered by the complaint item No. 3 on the chart—instruction, learning facilities, and physical plant. But it appears that the overwhelming majority of these complaints are really related to the business dealings of the school that perhaps could be covered by some eligibility criteria, and not involve your Office in determining the quality of education.

Would you agree with that?

Mr. Muirhead. I certainly would agree with that, and I would hope that the limitation, suspension, and termination regulations that we are developing now would provide us with an opportunity to do just that, so that we would have some indication of a standard. If a school should violate that standard vis-a-vis its refund policy, vis-a-vis its undue reliance, let us say, upon Federal funds in order to support the program, or if it had an inordinately large dropout rate, we would then be able to move toward restricting or limiting the eligibility of that institution without having us charged with intruding into the educational process.

Mr. Hicks. Mr. Muirhead, are you saying that before the Higher Education Act of 1972, you didn't have any legislative authority to act in this field?

Mr. Muirhead. I'm saying that the Education Act of 1972 provided us with the precise authority that would enable us to develop regulations for limiting, suspending, or terminating institutions.

Mr. Hicks. Well, how did the Government struggle along since 1946 in the first GI bill? Have they just been letting us go?

Mr. Muirhead. No, we have been relying, as I tried to explain in my statement, upon our response to complaints from public, from students, and from schools, and had directed those complaints through the accreditation process.

Mr. Hicks. Persuasion?

Mr. Muirhead. We had a sufficient club to terminate the participation of an institution if it was evident that they were clearly misusing the public funds.

Mr. Hicks. Well, to be very frank with you, Mr. Muirhead, I sat here and I listened to all of the words flow, and they flowed very nicely, but we've had this problem crop up time and time again.

The series that was published in the Washington Post, the Globe, the Reader's Digest—if we have been in this since 1946, it would seem to me that your Office down there would be able to come up here and say, this is what we need and this is what we propose to do, not that we've got it under consideration.

Mr. Moore, how many dollars are involved in student guaranteed loans?

Mr. Moore. Total?

Mr. Hicks. Total.

Mr. Moore. For the entire program, State agencies and the Federal direct insurance, just slightly under $7 billion.

Mr. Hicks. Now, do you have any idea how much of that goes to proprietary schools?

Mr. Moore. I can't be exact because we're not finished with our 1974 figures, but it seems to me, well, taking the whole vocational, technical area as one, it's around 40 or 42 percent.

Now, that includes proprietary schools.

Mr. Hicks. Now, are we talking about vocational schools?

Mr. Moore. Yes, that's right. These are 2-year or certificate vocational schools.

Mr. Hicks. They're not all proprietary. Some of them may be public?

Mr. Moore. That's right.

Mr. Hicks. Mr. Muirhead, in your view, are there any immediate and apparent differences between nonprofit schools and proprietary schools—or do the problems that we have run off into both of them?

Mr. Muirhead. Well, I think we have a higher incidence of possible violations of the use of Federal funds in the proprietary schools, but as I tried to indicate in my statement, the very factors that lead to that type of behavior may very well be coming in the private or the public colleges that are not of the profitmaking variety. We need, and we will seek, from the Congress, additional legislative authority to enforce the eligibility standards that are in the education amendments of 1972.

As you know, the education amendments of 1972 empower us to develop regulatory authority, but it is directed only to the guaranteed loan program. I think that as this unfolds, that the Office of Education will have to have authority in all other programs where the Federal funds are involved.

Mr. Hicks. Including the Veterans' Administration?

Mr. Muirhead. Well, I think that the Federal Government, in order to protect its interests, will ultimately have to have some kind of authority that will enable it to withdraw eligibility if there is a clear violation of the public interest.

Mr. Hicks. Now, you say $7 billion of guaranteed loans. How does that compare with the Veterans' Administration—what it's doing, and do you have any idea?

Mr. MOORE. I don't know the level of the veterans' support, Mr. Chairman, at all.

Mr. HICKS. Is there any liaison between the Veterans' Administration and the Office of Education in this area?

Mr. PROFFITT. Yes, Mr. Chairman, there is liaison with the Veterans' Administration in this area of educational consumer protection.

We do share complaints, primarily we receive complaints from them. Upon occasion, in special cases, if a problem situation develops which is very clearly of interest to them, then we contact them. We do it by phone; we do it by memorandum; we do it by meetings. We reveal to them the kind of problem that seems to be shaping up, give them as many facts as we can, and they in turn reciprocate.

Mr. HICKS. Well, now, should your Office be the one with the greater expertise in this field, should you be the lead agency in this, or should the Veterans' Administration be trying to parallel your expertise in this particular area?

Mr. PROFFITT. Well, I'm not sure which expertise you mean. If it's in consumer education, they obviously have a statutory responsibility for their own program, and the responsibility for overseeing their program rests with them.

Mr. HICKS. Should it?

Mr. PROFFITT. I'm afraid that's not for me to answer.

I would say that in the area of accreditation, however, Congress has clearly lodged that responsibility with the Office of Education and with the Commissioner. It's a kind of responsibility where we can service the rest of the Federal Government, and we do do so, whether it's VA, Department of Defense, Justice, and other Federal agencies also.

Mr. HICKS. Well, is there a Good Housekeeping seal of approval for educational institutions?

Mr. PROFFITT. Well, I'm not sure.

Mr. HICKS. Should you be?

Mr. PROFFITT. Should we be?

Mr. HICKS. I mean, can the Veterans' Administration say, we'll provide the funds for this young man to go to this institution, or take this course in this school, if the Office of Education has put its stamp of approval on it, and we don't have to worry about it anymore, except to get the funds there?

Mr. PROFFITT. I would not think that that would be an appropriate thing, certainly at this time, if ever.

I don't believe the Office of Education is geared up to award the seal of Good Housekeeping, if you will, to any institution; whether or not in the future it or some other agency receives that authority is a matter which I can't predict.

Mr. HICKS. Now, we heard this morning from a gentleman who took the position that the Federal Government, in a large sense, ought to butt out, and that the State ought to be responsible for doing all of this—putting the seal of approval on. What is your view along that line?

Mr. MUIRHEAD. Let me help on that, Mr. Chairman, if I may.

First of all, let the record show that I don't think that it is the responsibility or should be the responsibility of the Federal Government to issue a stamp of approval as to the quality of an institution.

I hope that we can resist that as long as I can see down the road.

Mr. HICKS. For what reason?

Mr. MUIRHEAD. Now, what I would like to say, however, is that we continue to rely upon an accreditation system.

That could include the regional accrediting agencies, can include the national program accrediting agencies, and should increasingly include the States as they develop the confidence to review institutions and to conduct the necessary investigation and followup, and by all means, let's have the States approval relied upon.

Now, there should and must be a Federal responsibility to see to it that the Federal interests are protected: One, that the Federal funds are not being misused by institutions; and two, that students who have been supported by the Federal Government, to help them get an education, do indeed have an opportunity for a respectable education.

Mr. HICKS. Now, who is going to make the determination that they get it?

Mr. MUIRHEAD. Well, I think first of all, that the way to offer some assurance is to see to it that institutions that are providing education have indeed met some quality standards.

Mr. PRITCHARD. Who makes that determination?

Mr. MUIRHEAD. Well, at the present time, that determination is made in a variety of ways.

It is made, first of all——

Mr. PRITCHARD. Well, obviously, it isn't working.

Mr. MUIRHEAD. Well, now, let's not just jump too quickly to the conclusion that it's not working.

We're talking about over 8,000 institutions, and you're zeroing on some of the problems, and they indeed are problems, but let's not, you know, whitewash the whole thing.

Mr. PRITCHARD. I'm not trying to whitewash, but are 90 percent of the schools up to standard?

Mr. MUIRHEAD. In response to your question, who should determine whether or not a quality education is provided, that determination can be provided in a variety of ways.

Mr. PRITCHARD. What way do you think it should be?

Mr. MUIRHEAD. Well, I think that there continues to be a very effective role for the regional accrediting agencies to provide that service.

There continues to be a very effective role for specialized accrediting agencies to provide that service, and I think there is an increasingly important role for the States to carry out that service.

I would hope that the agency of last resort in terms of determining the quality of the education would be the Federal Government.

Mr. PRITCHARD. I wouldn't argue with you on that point, but accreditation, at least the way it's been working, hasn't measured up, and what we're trying to probe around here is where should we put the bell on this? Where does the responsibility actually lie?

Do you have any complaints coming out of the State of Indiana? Do you ever get any complaints out of that State?

Mr. PROFFITT. Yes, sir; we have had some complaints out of the State of Indiana. The last complaint that I can recall came about 4 years ago.

Mr. **Pritchard**. You're not having any more complaints out of Indiana, if it's been 4 years, so they seem to be doing something right.

Mr. **Proffitt**. We would agree with you 100 percent.

May I say that accreditation has been effective with the great majority of schools, the very great majority of schools in both the proprietary and the nonproprietary sectors.

The instincts of the school operators perhaps have been what they should be, the great majority, and they don't represent problem cases.

We're dealing here with a problem area that is more or less confined to a certain percentage of the sector of the total postsecondary school universe.

Now, the percentage is relatively small, but in terms of the impact upon the students and their parents who are involved in the amounts of Federal funds involved, they are quite often quite large, because the unethical school, whether it be a proprietary vocational school or a college that has run away with its sense of ethical standards, tends to, in essence, gorge itself upon the kinds of returns it can get from the Federal funding programs.

Mr. **Hicks**. Now, when you're talking about funds, are you talking about guaranteed loans, are you talking about grant funds? What kind of funds are you talking about?

Mr. **Proffitt**. Well, I'm talking here in terms of those administered by the Office of Education, of insured student loan, college work-study, basic educational opportunity grant programs.

Mr. **Hicks**. How would you divide those down percentage-wise? How much is insured loan, how much is work-study grant, and so on?

Mr. **Proffitt**. Well, there are some more programs, Mr. Chairman, at least if we're talking about the kinds of programs that can be impacted on this. We're talking about probably at least five or six funding programs.

Mr. **Hicks**. Now, we have a number on the insured loans, $7 billion. Will you give us a ballpark figure on the other?

Mr. **Muirhead**. Let me help with that, if I may, Mr. Chairman, and we have no comparable figure to the $7 billion figure. The $7 billion figure, of course, represents the amount of capital that has been loaned.

The amount of the Federal investment in that, of course——

Mr. **Hicks**. That's the next question. How many have been defaulted and how many are proprietary schools and how many are the other kind?

Mr. **Muirhead**. Now, let me try to answer the first question by putting the $7 billion into the proper context. Seven billion dollars does indeed represent the amount of capital that has been available for loans, but that capital has come from the private marketplace, and it is supported with Federal subsidies, which this year——

Mr. **Pritchard**. The guarantee?

Mr. **Muirhead**. Yes; the guarantee of special allowance, and to give you some way to measure that, our 1975 budget for the guaranteed loan program is $315 million to support the subsidy and the special loans, which probably is a figure that would be more comparable to the other figures that I'm going to give you.

Now, you asked about what other types of support we have.

We have a national direct student loan program, which is this year supported with a level of $286 million.

We have a basic grants program which this year is supported at the level of $475 million, and the college work-study program which runs to about $270 million, and an education opportunity grants program which is in the neighborhood of $210 million.

To really sort of wrap this up for you, the total Federal effort, insofar as it's carried on by the Office of Education is somewhere in the neighborhood of about $1.9 billion in support of student assistance.

Mr. HICKS. All right, now, how big of a bite does the proprietary school get out of this?

Mr. MUIRHEAD. We would have to get that for you for the record, but the proprietary school bite, taken as a whole, including all those programs that I mentioned, in my judgment at the moment would be less than 10 percent. I would have to get that for you.

Mr. HICKS. These 10,000 schools that we are talking about, or 8,000, or whatever the figure was here, get about 10 percent of this billion 900 million, that includes the subsidized interest, so it increases the basic amount of money a great deal more when we get into the guaranteed loan, is that right? Or the insured loan, whichever.

Mr. MUIRHEAD. Well, we'll provide precise figures for the record, Mr. Chairman, but to just give you some sort of way to compare it, we had talked about a total universe of over 8,000, and the number of proprietary schools is about 1,300–1,730.

Mr. HICKS. Well, that's the whole universe?

Mr. MUIRHEAD. Yes; 1,730 represent the proprietary schools that we're discussing.

Mr. HICKS. Now, Indiana had 500 of those.

Mr. PRITCHARD. No.

Mr. LUMAN. No.

Mr. PROFFITT. Indiana might have 500 proprietary schools, but not all those 500 schools by any stretch of the means would have been eligible for our funding program.

Out of that 1,730 I would just guess there would be 50 or 60 of those, of the 500 in Indiana, that would be eligible and included in our 1,730 figure.

There are roughly considered, estimated, or guessed to be anywhere from 10,000 to 30,000 proprietary schools in the United States, depending on the definition.

Mr. PRITCHARD. You say there is somewhere between 10,000 and 30,000?

Mr. PROFFITT. That's the guess.

Mr. PRITCHARD. Doesn't somebody know in Government?

Mr. PROFFITT. Well, nobody knows anywhere in our society how many of these there are.

Depending upon the definition of a proprietary school, the most generally accepted figure is 10,000, but if you expand that definition to include one-man operations and one-room above store fronts that advertise in the yellow pages and the want ads and newspapers, it may very well go as high as 30,000.

Mr. PRITCHARD. Well, they have a State business license, don't they?

Mr. Proffitt. It varies from State to State.

In some States, they could move in and set up their operation with no qualification whatsoever.

Mr. Hicks. Well, this raises a point in my mind.

If you've got these restricted down to 1,700 that are eligible for you, out of this tremendous number, are any of those 1,700 the people that the Reader's Digest was writing about, and the Boston Globe, and the Washington Post, or are they writing about all these other institutions?

Mr. Muirhead. The Boston Globe article did include schools from the 1,730, and as I reported in my testimony, we pursued that with them, both with the agencies that had accredited them, and with the school itself.

Mr. Hicks. Well, are the problems with the 1,730 miniscule in comparison with the rest of them, or are we talking about the same problem with the 1,700 that we are talking about with all the rest of them that don't get, at least, money from your department?

Mr. Proffitt. Well, the problem is greater than the number of schools that we deal with. Unquestionably, the problem is much broader within our societal context than just the schools that are involved with the Office of Education or the Veterans' Administration, or what have you. We do have a broader social problem here, very definitely, and we have tried to address it within the context of our statutory responsibilities, because when we do have unethical school operators, again, the impact can be really serious, serious upon our funding programs and upon the individual students and their relatives who are involved in this matter. We have also felt we had a broader responsibility to society, and that's why we've taken certain steps within our province to encourage an effort to get at this broader societal problem which not immediately, but very definitely, indirectly impacts upon our ability to deal with the unethical school operator. One way has been to get three Federal agencies together to fund the development of a model State law to regulate private postsecondary institutions. That law was promulgated by the Educational Commission of the States, and the various State legislatures have begun to look at that.

One, the State of Montana, has already adopted it. The State of Tennessee has adopted portions of it, and so forth.

Mr. Pritchard. The thing that's hard for me to understand is that we're talking about, as I gather here, about $200 million that has gone into these schools. If it's 10 percent of $1.9 billion, why we're talking about $200 million.

That's a lot of money, and we've been searching here to see what kind of controls are on it. You people in 1972 got some additional authority. Did you testify when that was going through?

Did your office testify, or did you ask for this legislation? Did you favor it, or how did this additional authority come to you?

Mr. Muirhead. I think, as I look back at it, in retrospect, if the question had been addressed to us, and I can't say whether or not it was, but if it had been addressed to us, we would have favored it because we see all the needs for additional responsibility to prevent misuse of the Federal funds.

Mr. **Pritchard.** I would think you would have been the people who would have been testifying, and when you testified in 1972, or at least you saw this legislation going through, you would have immediately started working on the plans, and how to bring forth some regulations that would be effective. Here we are in 1974, and we still don't have the product, and I realize that government moves slowly, but, my golly you know, the horse is out of the barn, and it's continually getting out of the barn, and I get upset with the Defense Department and how they handle the Federal dollar, but after listening to all of the testimony, we do know one thing.

The State of Indiana isn't having troubles. That's the one thing I found out in this whole deal. We have one State—I don't know if the other States are having problems, but Indiana isn't having troubles.

You say maybe they're not reporting, Mr. Proffitt? But I'm sure we're going to turn the spotlight on and find out.

It's incredible to me that we're talking about this many millions of dollars, and we're moving this slowly, and I begin to wonder if the press and the Reader's Digest, and the rest of these people that have been jabbing you and jabbing everybody else, maybe this is the best thing, to kind of warn the public.

It's beyond me, and maybe I don't see the picture.

Mr. **Muirhead.** No, Mr. Chairman, I think that your criticism is well founded.

I think that we should have had in the Federal Register now regulations carrying out the amendments of 1972; in explanation of that and not in defense of that. I think you have to understand that the education amendments of 1972 carried a lot of other provisions and among those provisions was the requirement that every Federal program for support in education had to have regulations developed and published in the Federal Register.

You know, on the face of it that may not seem much of a task, but when placed upon an agency and upon the legal staff of an agency, that has been a gigantic operation to carry forward.

We have had to make decisions as to which regulations we would go forward with first. In our system of priority, we were faced with deciding, if you don't have these regulations, then this program will not be operable. Our decisions were to move and to get the regulations out, to make the program operable.

We're now hopefully going to move to carry out the limitation, suspension, termination regulations, but the explanation, and it's not a good answer to your question, is that it's a matter of priorities in terms of carrying out the mandates that were in the educational amendments of 1972.

Mr. **Proffitt.** Another dimension of this, Congressman, is the particular way that that statutory provision was worded.

The limitation, suspension, and termination authority referred back to the substantive regulations of the program—the substantive regulations of the program had been under rewriting. They're very complex. It's been a major job so that the limitation, suspension, termination is more or less linked with that.

However, as Mr. Muirhead indicated, that portion has been detached from it, and we hope we can move forward separately on the main body of the regulations.

Mr. PRITCHARD. Let me just say how, as a neophyte, I would have done it and have gotten into a lot of trouble. You people have had the ability to hold back money. At least, you've proven to me that you can hold back money in a lot of areas where things were going pretty good.

Now, it would seem to me that you would call in those States and you would tell those States, you clean up your own house or we're going to start holding back the money. We've got a million ways to slow down the pipeline, and you've got some States that are operating pretty well, and you undoubtedly know where the States aren't doing a good job, and whether it's real abuses, and you turn the heat on State government and say, look, we don't want to get in this field. This is what you would have done, should have done, and we want you to do the job. Now, we're going to start slowing down the money that comes to you and you're going to start getting a lot of complaints because these schools aren't going to be able to operate, and all kinds of you are going to be hurt. Now, you get on the stick and do the job, or we're going to come in and start hurting you.

And it would have taken some heat and you would have gotten some letters and you would have had some Congressmen like me writing you about how you are hurting some good school, but I just have the feeling that my State would have moved faster when they found out that they were going to lose some Federal dollars if they didn't shape up.

Now, I come back to it—we have some States—4 years, we haven't had any complaints on Indiana. After all, you can't say that about an awful lot of other States.

That's all the questions I have, Mr. Chairman.

Mr. HICKS. OK.

Mr. Luman?

Mr. LUMAN. Mr. Muirhead, despite your claim of priorities and what have you, referring back to your statement, you point out the ability to act quickly and fairly on determination of eligibility is extremely critical when an institution's quality situation is deteriorating rapidly. We also found out that in perhaps 75 percent of the complaint cases, assuming they're representative, the Office of Education could have moved against the school if it had written its regulations. Yet, here we are 2 years later, and you say in your statement that you're considering legislation to expand the authority of the Commissioner to limit, suspend, or terminate eligibility for Federal funds.

Have you now, in your office, put a higher priority on this job than in the past? What would happen if you got that legislative authority? Would we have another 2- or 3-year cycle until we rewrote the regulations?

Mr. MUIRHEAD. Quite obviously, no.

The point has been made by several people that we have been late in publishing the regulations that we were empowered to publish under the education amendments of 1972, and I have acknowledged that.

I'm now saying that we are moving and moving vigorously to get those regulations published. I did respond to your question by saying that our experience now would seem to indicate that the authority that is embedded in that statutory provision for limitation, suspension, and termination should probably be extended to include programs other than the guaranteed student loan program, and we're acknowledging that we should have had it done before.

My explanation, and not a defense, is that the education amendments of 1972 had many other provisions that at the time seemed to us to have a higher priority.

Mr. LUMAN. When do you predict that we will see the regulations appear in the Federal Register?

Mr. MUIRHEAD. Would you answer that, John?

Mr. PROFFITT. We would hope within the next several months.

We're working on the draft. This is a draft of the particular limitation, suspension, and termination procedures. This is a markup draft. If all goes well, we expect to have this draft in polished shape for the Commissioner to review at the end of this week, certainly by next week.

Mr. PRITCHARD. Who else is working with you on these guidelines? Who outside of your organization are you consulting with, working with on this?

Mr. PROFFITT. Well, at the present time, a group within the Office of Education and with departmental representation is working on this.

Mr. PRITCHARD. It's always tougher, you know, you have to back off your position. Will you then take it, sit down with different groups, national groups, or what have you, or will it come out as your document, and then you'll sit down with these other people?

Mr. MUIRHEAD. What we will do, in following the behavioral pattern that we have followed in similar activities, is that when we have it in draft form, we will then circulate it to appropriate, interested bodies and ask for their input.

Then, having digested that, we will put it up for rulemaking, and there will be another period of input from those interested parties before it becomes final.

Mr. LUMAN. Is your estimate, Mr. Proffitt, a couple of months to when it becomes final, or until when it goes into the Register?

Mr. PROFFITT. Well, it would be when it goes into the Federal Register for a 30-day period of comment.

Mr. LUMAN. Yes, but just to reclarify my question, what is your target date for putting the regulation in the Federal Register?

Mr. PROFFITT. You're talking about in final form?

Mr. LUMAN. Well, no, for comment, the initial publication in the Register.

Mr. PROFFITT. I'm sorry, for comment our target date would be to get it in the Federal Register, if at all possible, by November 1.

Mr. LUMAN. Now, until you write your own regulation here, aren't you forced to use the accrediting agencies?

Mr. PROFFITT. Well, yes, sir. We have been using, been relying upon accrediting agencies for some years, and even with these regulations, we will continue to rely upon them.

Mr. LUMAN. But without a regulation, aren't you in a situation that if you go to the accrediting agency—let's say you ask them to do something about what might be termed a business practice, refund policy—and suppose that you are unable to come to an agreement with them. Then you will have to throw the whole accrediting association out, if it got down to that point, would you not?

Mr. PROFFITT. Well, it's quite possible.

If we reached that kind of a position, we would definitely have to call the accrediting agency before the Commissioner's Advisory Committee to explain or to defend why it should not be removed from the Commissioner's list.

You might say there have been at least half a dozen such instances in the past.

We have reviewed and taken action upon accrediting agencies on approximately 160 occasions, and on 80 percent of those occasions, some stipulation or other, at least one, and quite often a number of stipulations, have been placed upon the accrediting agencies relative to their continued listing on the Commissioner's list.

Mr. LUMAN. Let me ask once again on the funding involved—I think we went through this in your office one day, Mr. Proffitt, and I left rather confused. Let's try it again.

How many student loans do you estimate under the guaranteed loan program have been made to date to persons attending proprietary vocational schools?

Mr. MUIRHEAD. I think Mr. Moore may have that in his records.

Mr. MOORE. Well, as I said earlier Mr. Luman, I don't have the exact total for proprietary schools, but the figure is around 20 percent for all postsecondary technical, public and private, including proprietaries. These are non-degree-granting institutions.

Mr. LUMAN. What is your estimate of that group that would be proprietary?

Mr. MOORE. Just a ball park estimate—I'd have to give you some more precise figures, but my guess there is that probably three-fourths of that would go into proprietary school students, or about 15 to 20 of the total loans.

Mr. LUMAN. That's of the total $7 billion?

Mr. MOORE. Yes.

Mr. LUMAN. OK.

Now, how much of that, how much of the $7 billion, should have been paid by now?

Mr. MOORE. Been paid back?

Mr. LUMAN. Yes.

Mr. MOORE. Again, I couldn't give a precise figure, but my guess is about $2.1 billion has run off, that is, has been paid back, which would leave a little less than $5 billion, of what paper that is in school or paper that is not in a fully repaid status.

Mr. LUMAN. Now, this $5 billion is not yet owed to the lender, is that correct?

Mr. MOORE. It's either in-school, which means the student is still in school, or it's matured and is being paid back.

Mr. LUMAN. It's being paid. All right.

Now, you said $2.1 billion has run off. How much of that was not paid back, went into default?

Mr. MOORE. We're not finished with the 1974 figures yet, but my guess is that the total cumulative default figure will go to about $240 million as of the end of fiscal 1974.

Mr. LUMAN. So we're getting what, 88 percent or somewhere in that figure paid back?

Mr. MOORE. Well, my $2 billion figure was the runoff. I meant that has been paid back.

Mr. LUMAN. I see.

Mr. MOORE. And part of that $5 billion is in the repayment process.

Now, the way we arrive at default rates is to take the cumulative defaults and apply them to all paper in matured status or paper that has been retired, and the rate we've used—we don't have a 1974 rate yet, but the 1973 rate was 5.7 percent for the whole program.

Now, this changes every year.

Mr. MUIRHEAD. Let me just comment on that a moment.

Whether or not the default rate is determined by the amount that is outstanding, or the amount that has matured, we always start to get our feet tripped up on this whole default question—basically, the default rate in the guaranteed loan program is running about the rate that Mr. Moore suggested, 5.7 percent.

Our projections are that that rate is probably going to creep up and is going to creep up for a very understandable reason. That is that more loans are going to come into repayment status, and at a faster rate than had been the case in the last 2 or 3 years.

We are tremendously concerned about the default rate, and we have approached the Congress and have found them equally concerned about the default rate. We have put a considerable amount of our resources, with the approval of the congressional Appropriations Committee, into correcting and improving that situation.

Now, having said all of that, and indicated that it's a very, very important problem that we must continue to pursue, I think we also ought to point out that we have here a program that in a relatively short time has just burgeoned to the level of $7 billion, and that about 95 percent of the young people participating in the program are paying their loans back. Somehow or other, you know, we've got to put that into focus.

On balance, young people are willing to accept this obligation and pay the loan back, and we really can't expect, and I'm sure you don't expect, that the default rate in the guaranteed loan program of this kind will be comparable to the default rate in a commercial bank loan program.

Mr. PRITCHARD. You wouldn't need it.

Mr. MUIRHEAD. Thank you.

Mr. LUMAN. What about the concentration of defaults? Mr. Moore recently sent a letter over to the Senate Veterans' Affairs Committee in which he said that preliminary data suggests that more than 60 percent of the defaults on federally insured loans can be paid on behalf of students attending fewer than 5 percent of the educational institutions.

Now, wouldn't it be possible, and I suppose you are doing something, to work with the institutions that seem to be attracting students that have the problems? Couldn't you cut this default rate?

Mr. MUIRHEAD. You're very right in your analysis.

We should concentrate our forces and our resources where the problems are. Through our regional offices where most of our help in dealing with this problem will be located, they are indeed seeking out the schools and those lending institutions where there is a higher instance of default than in others. The problem, you know, is just not a matter of collecting the student loans, but a more important part of the problem is seeing to it that they have a much better method of counseling the student before he goes into retainer status, and that we get lenders to do more about having students go into default before they reach that point, than they are now doing.

Mr. HICKS. Mr. Graham?

Mr. GRAHAM. Mr. Moore, what is a default? Is that a delinquent payment for 90 days or more?

Mr. MOORE. No, default occurs after 120 days, during which the lender makes a series of efforts to collect payment, and none is forthcoming.

At the end of the 120-day period, he is then able to declare the loan in default and file claim with us for payment.

Mr. GRAHAM. Has there been any determination as to the reasons for the defaults?

Are the defaults primarily the fault of the student who is just not paying money back, or is it the fault of the institution to which he went and felt somewhat dissatisfied with?

Mr. MOORE. We're in the process of [illegible]ishing our first detailed analysis of this default business through [illegible]nputer based estimation model, which will provide the kind of in[illegible]mation that, I guess from your question, that you are seeking, including the set of characteristics which describe the person who is in default, and also a set of characteristics which, I think, will refute some myths about who defaults and who doesn't.

Some 240-odd variables have been fed to this model, and because of just the sheer size of this program, it's going to provide, I think, some very interesting characteristics.

Mr. HICKS. Well, I want to put a little input into this myth business here.

I had a banker, a small town banker, come in to see me 2, 3 years ago. He was very concerned about your organization's program because, I gathered, he couldn't get a definite statement about the regulations. He said there were all kinds of them, and I understand you finally got around to putting them out, where you could encourage these youngsters to realize that they had a serious obligation when they signed this note, and what you did when that note was in default—it's slipped my mind now; I wrote a few letters on the matter—and he told me that you finally got regulations out, but you had them scattered all over the place and they were contradictory. He felt that you couldn't do enough under the regulations that previously existed to make these people understand that when they signed this note they weren't getting a grant, that they had an obligation to pay it back, and they didn't understand that in many instances.

It was just a very blase thing, when they'd come in and they finally got somebody in their school to approve the fact that they could get the loan, and they signed it, and that was the end of it, as far as many of them were concerned

Now, is there any truth to that, is that part of this myth? Did you have good, solid regulations all the time, or did you spend 2 or 3 years putting those regulations together, too?

Mr. MOORE. Well, I'm trying to remember the sequence in which we issued them.

I think the first comprehensive set was available, was issued probably in 1969, in the third year of the program, because they really began in 1966.

Mr. HICKS. Well, time goes really fast around here—it might have been that long ago—it doesn't seem to me that it was that long ago that he was in complaining about it.

Mr. MOORE. And then another set was reissued in 1971 or 1972, and we now have what is, in effect, the third comprehensive set, that Peter Muirhead was talking about which incidentally has in it, for the first time, a whole set of control devices to get at some of the concerns that have been expressed here this afternoon, not the least of which is an agreement between the Office of Education and every one of these 8,000 schools, which spells out their responsibility under the program.

We have not had that before.

We're also placing requirements on lenders which would speak on the point that you mentioned, requiring a much more clear-cut definition to the student of his responsibilities and obligations under the program.

Mr. HICKS. And this, I take it, would permit the lender, if he wanted to do something, to do it, because some of these smaller bankers, they're really concerned about this sort of thing.

They just don't take this as a Government guarantee—I don't have to worry, we're going to get our money regardless—some of them are concerned about what happens to these youngsters when they start this sort of thing.

Mr. LUMAN. To pick up on the chairman's point, would you agree with the statement generally made that one of the most effective ways to assure a loan is paid back is to make sure that when the loan is made, the debtor understands his obligations?

Mr. MOORE. Yes, sir.

Mr. LUMAN. Now, the statement was made in testimony before Mr. O'Hara's subcommittee as an addendum to presentations by the president of the National Council of Higher Education loan programs, which said, it's unrealistic to assume that a person responsible for recruiting students could, at the same time, impress on the borrower the seriousness of the loan obligation he has undertaken, especially when stressing this point could result in loss of the sale.

Now, in your report, I notice you don't break down the delinquency by the guarantor, but have you found that student lending institutions are sometimes having difficulty in collections because of this feature?

It's come under attack, as you well know. Some say the schools shouldn't lend money, and others say that's the only way that we can take care of some of the students. It's also attacked on the grounds that when you're selling the course and financing the course at the same time, you may not make the impression that this is a debt.

Mr. MOORE. There has been some evidence that where the same person, as you suggest, is handling both the enrollment contract execution with this hand, and the initiation of the loan agreement with the other, that because of the way in which one has to work in that situation that these obligations are not underlined as well as they might be. This is one of the reasons that we will generate for the Federal program, out of our computer in Kansas City, along with a postcard reporting system, which is going to keep the lender much more current as far as the location of the student is concerned, a letter from the Office of Education to the student which says the loan commitment has been issued in *x* amount: do you realize, or you must understand that your obligations under this loan as follows: That he understands from the Federal Government at the time the commitment is issued, that this is a loan, not a grant, that it is expected he will pay it back, that he will keep his lender informed of his status as he goes through school and leaves it.

Actually, on that point, there are only about 40-odd, 44 I think is the precise number, at the moment, nondegree granting institutions in the direct lender program today, so to the extent that that problem exists, it could only be in a relatively small number of schools.

Mr. Luman. Some of them handle significant sums of money though, do they not?

Mr. Moore. Well, that's true.

There are half a dozen—five, I think, to be specific—very large correspondence schools where courses are sold on a franchised basis all over the country by salesmen.

These are National Home Study Council accredited courses.

Mr. Luman. How soon could we tell the results of your letter supposedly reminding the student of the seriousness of his obligation?

Mr. Moore. If we measure by some change in the default rate, without being facetious, it will be 3 or 4 years, because of the way the paper moves through this pipeline. With loans originated this year, the earliest that loans could go into payout status, assuming a student had even a 1-year course in a vocational school, would be 2 years from now or 2-plus years from now.

Mr. Luman. I wonder if you'd react to a letter that was sent to our chairman shortly after we started these hearings. I think we got it yesterday, as a matter of fact, referring to this particular problem.

[The letter referred to follows:]

JULY 12, 1974.

DEAR CONGRESSMAN HICKS: I read in the Tacoma News Tribune of July 11, 1974 about the hearings scheduled on July 16–July 23 on alleged abuses by private schools.

I do training plan approvals or denials at one of the local "welfare office" Economic and Social Services Office of the Department of Social and Health Services. I am told that public vocational schools simply cannot compete with the private schools in two categories: 1. Attracting students through use of advertisements and publicity; 2. Number of financial officers available to make contacts and assist students in making Federally Insured Student Loans, Federal Basic Grant and other applications for money needed for schooling. One school (Bates) told me they had not even gotten a reply back from H.E.W. for certification for Basic Grants.

Consequently, women on ADC are continually coming into our office for day care after having applied for a beauty, business or other school and signed loan agreements for thousands of dollars. In their attempt to get off assistance they are, and already have, by the time they've come to us, usually put themselves in worse financial jeopardy than before.

Public vocational schools offering the same course of study, of comparable quality, are not being utilized. I believe that public assistance recipients are finding it harder to get off assistance and save the government expense by signing the usually unnecessary loans they make to get into private vocational schools.

Public vocational schools need to be afforded publicity, adequate numbers of financial aid officers, and equal consideration from agencies like HEW for inclusion in grant programs like Basic Grants.

Students need to be protected from the signing of loan agreements with private schools in much the same way as householders are protected from door-to-door salesmen. They ought to be able to get out of the deal a week or a month later if they apply for day care, and we don't believe their going to a private school and being laid under with a costly loan repayment is the fastest way for them to become self-supporting.

Sincerely,

JOHN A. BIRNEL.

Mr. LUMAN. Would this student referred to here, or these students, have received a letter under your program?

Mr. MOORE. If the loan commitment has been issued from the endorsement center in Kansas City, then such a document will go to them.

Mr. LUMAN. So that if we were to look into this, we should find that these recipients who are on welfare were alerted to the fact that they are making a loan.

Mr. MUIRHEAD. Yes, and they should also be alerted to the fact that judging on the basis of the information you shared with us, that they probably would be eligible for a basic grant.

Mr. LUMAN. There's some concern about the basic grant program not working to reach these people.

Mr. MUIRHEAD. Well, the basic grant program is rather specifically designed to reach those people. That is, we would hope the person on welfare, a young person seeking postsecondary education, would be a prime candidate for support under the basic grant program.

Mr. LUMAN. In other words, if the facts are as stated with the writer of this letter, something is amiss.

Mr. MUIRHEAD. Yes, you are quite right, and we would be more than willing to see to it that there is put into the hands of that young person an application for a basic grant.

Mr. LUMAN. Mr. Proffitt, in looking at the Federal coordination and cooperation, there have been a number of remarks made in these hearings today that it is not all it should be.

How would you describe the relationship of the Office of Education with the FTC, and the Veterans' Administration, and the State agencies as far as exchange of information?

Mr. PROFFITT. Well, first of all, we have several systems under which we operate in that regard.

First, I would have to mention the Federal Interagency Committee on Education's Subcommittee on Educational Consumer Protection, where we have representatives from roughly 10 or 12 Federal agencies cooperating together in this whole area and pursuing certain specific projects through that subcommittee.

Mr. LUMAN. How often are you meeting these days?

Mr. PROFFITT. Well, it varies.

In the 2-year lifetime of the subcommittee, we've had probably 12 or 15 meetings. There is no regular scheduling of the meetings. These are busy people—we meet only when we have something of substance to go into the agenda. At the present time, the subcommittee is engaged in developing a report, a Federal strategy paper, if you will, on educational consumer protection. We've been charged by the chairman of the full committee to have this report back and present it to the full committee at its September 25 meeting, so we're at the present time engaged in quite a few meetings in a relatively short period of time.

Mr. LUMAN. Is the Social Security Administration a member of that committee?

Mr. PROFFITT. It is not at the present time.

Mr. LUMAN. Was it invited to become a member?

Mr. PROFFITT. I don't know the answer to that.

I would have to get that for you. My memory doesn't serve me on that point.

Agencies that were considered to be interested were all invited, and I don't recall whether the Social Security Administration received a letter or not, but, in addition to that, we have a variety of informal working arrangements with some of the other Federal agencies, including the Veterans' Administration, the Department of Defense, the Federal Aviation Administration, the Consumer Office of the Department of Health, Education, and Welfare, and other branches of the Department.

Mr. LUMAN. Well, do you think these informal relationships in this committee suffice, or should we pay more heed to some sort of a central information organization as was recommended, I think, at a conference and proposed by a number of witnesses.

Mr. PROFFITT. Very definitely, those of us who are on the subcommittee feel very much that we need to regularize and formalize the interagency effort in this area.

A clearinghouse is one proposal that's under consideration in regard to the subcommittee's report, but we don't think it's the total answer.

We feel that there are other interagency devices of a more formalized nature which we certainly need to consider, such as perhaps an interagency working group that does more than just share information. The clearinghouse is definitely one aspect, but not the only one in the area of interagency activities.

We also benefit from interchange with State agencies. This sometimes is a matter of direct interchange between us here in Washington, members of my staff, and the State officials, but quite often also the interchange comes through the Department's regional office.

Mr. LUMAN. How many States would you say, without naming them, are really interested enough in this problem to work with it?

Mr. PROFFITT. Well, our contact and working relationship has been with a minority of States, that I could say, per se. It has not been a majority.

I would point out that the problem here is that many States do not have appropriate mechanisms such as Kentucky. This is very hard for me to say, but the State of Indiana is very gifted and very fortunate, if you will, in having an effective State agency.

It stands somewhat unique. There are only a handful of the States that have agencies that work at the level of effectiveness of Indiana.

Mr. PRITCHARD. Is it just by luck that they happen to have this? You've been looking at all the States. What makes it so?

Mr. PROFFITT. Seriously, no, sir, you have some good people in Indiana who perceive the problem and who have dealt with it on a statewide basis. They have met their State responsibility.

Mr. PRITCHARD. There are some other States——

Mr. PROFFITT. There are some other States. I wish there were far more than there are at present.

We're going to see this come, and I hope that we in the Office of Education could encourage and contribute toward this. Over the past few years, we have been asked to consult with State officials, including to appear before the State legislative committee, to testify and give consultation on this very matter of either setting up a State agency or passing a law, or improving a law, or what have you, within the State.

I would say that we have consulted with about eight States on this very matter.

We have let it be known we will be happy to go anyplace, anytime, to assist State officials in giving them the benefit of our advice and expertise on this matter.

Mr. PRITCHARD. What is it, inertia, or is it some people don't want to have this type of activity in the State?

When you start putting some of these regulations through, who is the opposition?

Mr. PROFFITT. Well, I'm sure here that it varies from State to State.

In some States, private school groups would support such regulations.

Mr. PRITCHARD. The legitimate ones—it would be in their best interests.

Mr. PROFFITT. That's correct, and in other States it's a matter of developing consciousness on the part of State officials that this is a need which merits addressing in terms of all of the other priorities of the State. In some States, the problem which they have frankly is not so much the operations of the schools within the States as it is the operation of schools from outside the States, that have their salesmen coming in, and so forth, so it's a complex situation. Nevertheless, we do believe we perceive a growing awareness on the part of State officials, as hopefully we have a growing awareness on the part of Federal officials, including ourselves, to this problem, and the need to address it, not in a simplistic fashion, not through one mechanism, but through a variety of mechanisms.

The States have the legal responsibility, certainly, but the States can be victimized in spite of their best efforts if they don't have the cooperation of the Federal Government.

Mr. LUMAN. Mr. Muirhead, if we assume that the provision of Federal funding was to open educational opportunities to certain people who might not otherwise have it, I think we assume a use of the existing system. Now, haven't we somewhat created a new system if we have schools that are having students that are 90, 95 percent federally supported?

Can you assume, for example, that such a school would be operating if it were not for the Federal support, or is there an upper limit that a school should have in order to be a healthy institution?

Mr. MUIRHEAD. That is, indeed, one of the important criteria that we're seeking to identify in the regulations that we are seeking to establish here, as to how much should the school rely upon Federal funds to pay its operating costs.

Our approach to that is that we would be quite concerned if a school was almost totally relying upon the influx of Federal funds, particularly through the loan program, in order to carry on its operating costs, so one of the criteria that we will have in our regulations for limitation, suspension, and termination will be a look at the financial stability of the institution, and how heavily it is relying upon Federal loan funds.

Mr. LUMAN. That would include VA funds?

Mr. MUIRHEAD. Yes, that certainly should include the VA funds.

Mr. LUMAN. Do you have any idea whether you're going to come up with a certain limit in these criteria—is that what you're working toward, a percentage limit such as we have in the VA schools?

Mr. MUIRHEAD. We are working toward a percentage limit that would, in other words, make a caution bell ring, if that situation exists.

We don't want to say precisely that if you are dependent upon this percentage of Federal funds for operating, you are automatically ineligible.

We want to say that if that is the case, then we've got to look into the matter more deeply.

Mr. LUMAN. Do you think as part of these eligibility rules, since supposedly people take vocational training in order to prepare for employment, that you could have either disclosure of placement figures, or a requirement of a certain percentage of placement? Is that, in your opinion, a fair measure for the industry?

Mr. MUIRHEAD. We are considering, again, as another criterion, what is the job placement record of the institution.

Again, that single criterion would not be decisive, but it would be part of an overall pattern that we would be looking for. I might as well continue with this and say that we would also include some figure as to the dropout from the institution, and we certainly would include in the regulations some information concerning the refund policy. Hopefully, the regulations then will give us sort of a mosaic of being able to say that if these things happen all together, then you are probably not serving the public interest.

Mr. LUMAN. Will you have the same standard in terms of placement for a residential school as for a correspondence school?

Mr. MUIRHEAD. I don't know the answer to that, but we certainly will apply a measure of job placement to both the residential and to the correspondence schools that are seeking eligibility.

Mr. LUMAN. You mentioned that you're considering requesting that the Congress broaden section 438(b) of the Higher Education Act of 1965, so that the Commissioner could recognize State agency monitoring of private vocational schools, just as you can now for public vocational schools.

Now, what would be the effect of this change?

Mr. PROFFITT. It would establish an alternate means for providing eligibility access for private vocational schools, that is, alternate accreditation.

The private vocational school would still have to meet the other statutory requirements of the funding act, but in place of accreditation by a nationally recognized accrediting agency, they could utilize the approval or accreditation, whatever it might be called, of that

State agency if they were in a State and had status from that State agency, which was recognized by the Commissioner of Education.

Mr. LUMAN. That was a situation which we discussed this morning with Mr. Clark. I assume since they have already an in place organization which makes visits to the schools and such, that an Indiana school, if this amendment were passed, would be eligible for loans without belonging to one of the national accrediting bodies.

Mr. PROFFITT. That is correct, as long as it had appropriate status with the Indiana Commission on Accreditation of Private Vocational Schools, I believe it is called.

Mr. LUMAN. What becomes of the idea of peer review and national standards then?

Mr. PROFFITT. Well, one of the aspects of our recognition process for State agencies, as it presently operates for State nurse approval agencies and for State agencies that approve public occupational post-secondary schools is a set of criteria standards, if you will, which have been promulgated by the Commissioner of Education, which each State agency must meet so we have a degree of perspective here which provides a certain element of consistency from State to State.

It still provides for a great deal of flexibility and a variation from State to State in terms of meeting their own educational standards.

In the matter of peer review, this is one of the things which our standards call for. That is, the State agency will utilize site review teams composed of educators from comparable schools, both within and without the State, and they won't utilize solely staff members of the State agency.

Mr. LUMAN. How many States have met that requirement for public vocational schools to date?

Mr. PROFFITT. At the present time, it's eight.

Mr. LUMAN. One of the things that Dr. Orlans mentioned yesterday is that we don't know very much about proprietary schools as an industry.

Couldn't your office, in its loan function, assist in this by communicating with the students? Mr. Orleans mentioned you had a letter alerting the student that he has made a financial obligation. Isn't there some way we can use your relationship with the loan program to find out more about what happens in schools and what the students think of them, and perhaps to tell the student where he can make his complaints about schools?

Have we done anything like this?

Mr. PROFFITT. We are presently developing through, again, the Federal interagency committee's subcommittee a pamplet, a brochure if you will, on avenues for redress on the part of students. The brochure will go forward as part of the report to the full committee.

It will be very specific in terms of telling a student where he may and how he may file a complaint, the various Federal, State, and private agencies, including the accrediting agencies to which he may address a complaint. There will be a format for him to follow in terms of providing the specific information that the agency to which he complains will need to have in order to process this complaint.

I might say that I left out of this complaint matter the fact that accrediting agencies do work with us on complaints, and they are not our antagonists in dealing with complaints from students. As the figures that we have provided show, in a certain percentage of the cases, complaints which we refer to our accrediting agencies ultimately are resolved in favor of the student, not always in favor of the institution by any means.

We do also have an early warning system informally agreed to between ourselves and the accrediting agency where, when we run across a problem at an early stage that involves an accredited school, we will inform the accrediting agency of that problem, and they reciprocate and inform us of early problems which they feel we should be aware of.

Mr. Luman. Thank you.

Mr. Graham. One more question, Mr. Moore, on statistics. On that 5-percent default rate, do you have any breakdown as to where those defaults are in relation to colleges and universities and private vocational schools?

Mr. Moore. Not at the moment, but I would hope, again, this would come out of the report that I mentioned earlier.

Mr. Hicks. That will be furnished to the committee?

Mr. Moore. Yes, sir.

[The information referred to follows:]

A breakdown on the 5.7 percent default rate as it relates to colleges and universities and private vocational schools for the entire Guaranteed Student Loan Program is not available. What we can provide is a table from a report showing this kind of breakdown which is based on a fifty percent sample of all federally insured claims processed (52,000 of 104,000) through December 1973. This data does not relate to nondefaulters, nor to defaults as a percentage of matured paper but is only a historical report of cumulative defaults paid. The table does not include data on loans guaranteed by State and private guarantee agencies, which account for more than fifty percent of volume and defaults.

ANALYSIS OF DEFAULTED BORROWER CHARACTERISTICS—FEDERAL INSURED STUDENT LOAN PROGRAM (LOANS PROCESSED THROUGH DECEMBER 1973)

[a = number; b = percent of row; c = percent of column; d = percent of total]

Type of institution	Total	Borrowers by sex		Not available
		Male	Female	
Colleges and universities:				
a	20,574	14,067	6,343	163
b	39.9	68.4	30.8	.8
c		42.8	34.7	35.5
d		27.3	12.3	.3
Junior colleges and institutions:				
a	6,203	4,289	1,870	44
b	12.0	69.1	30.1	.7
c		13.1	10.2	9.6
d		8.3	3.6	.1
Special and vocational:				
a	24,014	13,986	9,813	215
b	46.5	58.2	40.9	.9
c		42.6	53.6	46.8
d		27.1	19.0	.4
Other or not available:				
a	803	488	278	37
b	1.6	60.8	34.6	4.6
c		1.5	1.5	8.1
d		.9	.5	.1
Column totals	51,594	32,830	18,304	459
Percent totals	100.0	63.6	35.5	.9

Mr. GRAHAM. We saw a statistic in the paper that said that 75 percent of the student default rates were from vocational schools, and then we were later told by OE, that the computer was wrong.

Do you have any comment on that figure?

Mr. MOORE. Yes, sir.

I have seen that figure in two or three articles and a couple of newsletters.

It's my understanding that it originated in our claims unit and was a hand-tab of all of the claims that came into the office in a 5 to 6 month time frame, something like that, during the year, in other words just a slice of time. The clerks counted up the number of them which came from proprietary schools, so it's not a fair reflection of the total historical experience.

Mr. LUMAN. Mr. Moore, would you give us for the record your best estimate, taking perhaps the last year or the last comparable period of statistics, the amount of money owed from proprietary school students, the amount of default, and what percentage of the defaults that represents, and how much of the default was accounted for by school lenders versus third party lenders?

Mr. MOORE. I would be happy to supply that for the record. Yes, sir.

[The information referred to follows:]

Information is not available on the amount of money owed from proprietary school students, that is, the amount of loans that are currently in repayment. Our system does not provide for the capturing of demographic data on claims paid by the guarantee agencies. Therefore, school type data is not available. Final reports on federally insured claims processed during the past fiscal year are now available. These reports show that claims paid on behalf of proprietary school students amounted to $40.6 million or 59.1 percent of all claims processed for identifiable schools (see below) during Fiscal Year 1974. For the same period, by type of lender, the reports indicate that school lenders accounted for $9.1 million or 11.6 percent of total claims of $78.2 million while the remaining 88.4 percent, or $69.1 million in claims was processed for third-party lenders (all other lenders). School and lender figures are listed below.

FEDERALLY INSURED STUDENT LOAN PROGRAM—FISCAL YEAR 1974

CLAIMS LOGGED-IN BY TYPE OF LENDER

	Number of lenders	Number of claims	Percent of total	Claims amount	Percent of total
School lenders	94	15,248	20.1	$9,058,986	11.6
All other lenders	2,724	60,577	79.9	69,144,495	88.4
Total	2,818	75,825	100.0	78,253,481	100.0

CLAIMS LOGGED-IN BY TYPE OF SCHOOL[1]

	Number of schools	Number of claims	Percent of total	Claims amount	Percent of total
Higher education	1,433	18,936	28.3	$27,137,457	39.5
Vocational,—total	1,026	47,871	71.7	41,486,998	60.5
(Proprietary)	(858)	(46,820)	(70.1)	(40,567,781)	(59.1)
Total[1]	2,459	66,807	100.0	68,624,455	100.0

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[1] Excludes an unknown number of schools for which school code numbers were not captured during the early months of fiscal year 1974 or for which either no codes or invalid codes were entered on the original loan application. These schools accounted for 9,018 claims totaling $9,629,026.

Mr. GRAHAM. Mr. Proffitt, do you think that there should be a separate procedure for eligibility which uses as one of its criteria accreditation, as Mr. Orlans recommends?

Mr. PROFFITT. A separate procedure?

Well, there is a separate procedure administered by the Office of Education.

Mr. GRAHAM. But which primarily relies on accreditation, at the moment that's not exclusive.

Mr. Orlans recommends that there be a much broader base, greater OE investigation, issuing of its own standards of eligibility.

Mr. PROFFITT. Well, I would have to answer that in two parts. I think there is merit in a certain degree of his assertions. There is probably a very justifiable need for us to develop greater flexibility in our eligibility determining mechanism.

This does not mean, however, that we have to get to the point where the Office of Education starts laying down specific criteria outside what is required essentially in the statutes, with some additional beefing up, perhaps, and the qualitative assessment which is provided by other agencies outside the Federal Government, accrediting agencies, and State agencies that have met the test of our own criteria or standards, but when you start talking about the Federal Government establishing standards itself to make a qualitative assessment regarding a school, and here I'm talking about the substantive aspects of the educational program, I think you're talking about a nightmare.

Mr. GRAHAM. But that's what's done indirectly now by relying on accrediting agencies.

Mr. PROFFITT. But the accrediting agencies on one hand and the State agencies on the other certainly are better qualified in terms of possessing the expertise to make this kind of qualitative assessment regarding the educational program.

When you take into account that we're dealing presently with between 60 and 70 accrediting agencies, and all the myriad fields involved, the whole spectrum of postsecondary education, it would be impossible for the Federal Government to have that kind of expertise without a virtual army of individuals here on the Federal payroll and an immense operating budget.

Mr. MUIRHEAD. Let me expand on that. I think that's a very critical question you have asked, and it does seem to me that the Federal Government does have a dual responsibility in this area.

They have, first of all, an overriding responsibility to see to it that the consumer interests of the person being educated are satisfied insofar as possible, second, they have an overriding responsibility to see to it that the Federal funds are used for the proper purpose for which they were provided.

They have, in addition to that, a responsibility to see to it that there comes enough flexibility and enough change and innovation in our postsecondary system to allow us to really reach what has been identified as a national goal, and that is access to postsecondary education to all those who can benefit and profit from it.

That means that there are going to have come about a great many new opportunities, a great increase in the variety of training opportunities.

I think Mr. Proffitt has said quite properly that in order to bring that about, the best vehicle to achieve it is to work with the accrediting agencies and work with the States so that they will expand their criteria to reflect today's needs for a variety of training opportunities. So the Federal Government has sort of a dual responsibility, that of being prudent and seeing to it that the consumer interest is respected, and that the Federal funds are properly used, and two, to encourage needed change and innovation in postsecondary education.

Mr. GRAHAM. Thank you.

Mr. HICKS. With that, the last word for today, we are going to bring this hearing to a close.

Thank you, gentleman, for your attendance and answers.

The meeting scheduled for Tuesday, July 23, has been rescheduled to Thursday, July 25 because of a special caucus that's being called for next Tuesday morning.

So our next meeting will be Wednesday, July 24, in this room, at 9:30 a.m., when you are going to hear from representatives of accrediting associations.

Mr. MUIRHEAD. Thank you, Mr. Chairman.

Mr. HICKS. Thank you, gentlemen.

The hearing stands adjourned.

[Whereupon, at 4 p.m., the subcommittee adjourned, to reconvene at 9:30 a.m., Wednesday, July 24, 1974.]

PROPRIETARY VOCATIONAL SCHOOLS

WEDNESDAY, JULY 24, 1974

House of Representatives,
Special Studies Subcommittee
of the Committee on Government Operations,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:30 a.m., in room 2247, Rayburn House Office Building, Hon. Floyd V. Hicks (chairman of the subcommittee) presiding.

Present: Representatives Floyd V. Hicks, John W. Wydler, and Joel Pritchard.

Also present: Joseph C. Luman, staff director; and James L. McInerney, minority professional staff, Committee on Government Operations.

Mr. Hicks. The subcommittee will resume its hearings.

The first witness is Mr. Richard A. Fulton, executive director and general counsel, Association of Independent Colleges and Schools, Washington, D.C.

Is he accompanied by anybody?

Mr. Luman. He is accompanied by these people, sir.

Mr. Hicks. Will all the people please come forward.

Mr. Fulton, for the benefit of the reporter, would you identify those people who are with you who might be responding to a question, and go slowly so that if she wants to put them down, she will know.

STATEMENT OF RICHARD A. FULTON, EXECUTIVE DIRECTOR AND GENERAL COUNSEL, ASSOCIATION OF INDEPENDENT COLLEGES AND SCHOOLS; ACCOMPANIED BY JACK H. JONES, FORMER PRESIDENT; ERNEST E. ROBLEE, CHAIRMAN, ACCREDITING COMMISSION; A. LAUREN RHUDE, PRESIDENT; AND DANA R. HART, EXECUTIVE SECRETARY, ACCREDITING COMMISSION

Mr. Fulton. Thank you, Mr. Chairman.

I am Richard Fulton. On my left is Mr. Ernest Roblee, chairman of the AICS accrediting commission. On my far left at the end is Mr. Jack Jones, former chairman of the accrediting commission, former president of the association, and he recently has completed the term as Chairman of the National Advisory Committee on Student Financial Aid which, as you know, is a statutory advisory committee under title IV of the Higher Education Act.

On my immediate right is Mr. Dana Hart, executive secretary of the accrediting commission, and on my far right, Mr. Lauren Rhude who is a former chairman of the accrediting commission and currently the president of the association.

Mr. HICKS. Thank you very much. You may proceed in any manner that you see fit.

Mr. FULTON. Thank you. For the completeness of the record, I would like to file a complete copy of the joint statement, and it is my understanding with counsel that it would be preferable if we attempted to summarize in about not more than 15 minutes our position, and then leave about 30 minutes for individual questions.

Mr. HICKS. OK.

Mr. FULTON. We appreciate the opportunity of responding to your invitation, and I want to assure you that there's no doubt or reservation in our mind that we are properly here and are ready to respond openly to any questions you may have.

While the bulk of our institutions are organized as proprietary organizations, that is, tax-paying instead of tax-consuming, or tax-exempt, not all of them are. Not all of them are nondegree granting institutions.

We are a mixture of collegiate, noncollegiate, proprietary, church-related, about 500 institutions in all enrolling somewhere around 150,000 people a year. Many people are prone to classify proprietary education as a particular level of complexity or a particular program of study.

For example, they'll talk about proprietary and other vocational schools. I think that's like saying nurses and other female health care personnel. It just is not logical. Many of our schools grant degrees; in fact, I think all three of the schools represented at this table grant degrees—Jones College grants a baccalaureate degree; Jamestown Business College, pursuant to the authority of the State of New York Board of Regents grants an associate degree; and Chaparral Career College under Arizona law grants an associate degree.

We all appear in our individual capacities. Obviously, we've not had an opportunity to get a policy endorsement of the association or the Commission of our views, and I hope they will be accepted. Yes, we do have individual experience, but they are not as per se, association views. We do feel that accreditation and accrediting agencies have wittingly or unwittingly been miscast and misunderstood or their work has been overemphasized.

We do not feel that our point or approach is the same as State licensing, nor is it in the role of warranteeing the expectations of program administrators of Federal or State agencies charged with disbursing funds.

Now, the triangular concept has emerged in these hearings, and we certainly endorse it, and where the inner lines overlap, I'm not prepared to always define, but I would say there are different points of departure and there may be a convergence at times, and I don't think we have a squabble over exactly who should necessarily always do the same thing.

We have tried to analyze what we consider some generic problems confronting proprietary schools, the students enrolled in them, and have tried to come up with what we think might be some resolutions of problems.

One of these, we think, it's really sort of an unwarranted assumption that proprietary school students are different than college students. I've already had the FTC complain to me that they didn't say people go to college not to get jobs. Despite what Mr. Rosch said or the statement, I'd be happy to entertain a stipulation from the FTC that college students go to college to get jobs and that vocational students go to school both to get jobs and for possible intellectual stimulation.

I'd be happy to entertain a stipulation that pretty much all students have pretty common tendencies, whether they are enrolled in a vocational course or traditional college course.

Another problem which confronts the school, and it is a human tendency to stereotype people ethnically, racially, economically, but we are not a monolithic industry, everybody acting in consort, the accrediting agencies acting as some sort of apologist for the quarry as one or more prosecutors take out after them. The diversity in institutions that are governed by proprietary boards of directors is just as different, just as complex as you'll find in the competition between the public land grant State colleges, public community colleges.

This also is a diverse area of education, but it is an area of education.

Another problem is the belief that accrediting agencies drag their feet. For example, Dr. Orlans the other day made a statement that it takes a year or two for accrediting agencies even to act on negative actions.

Briefly, I'd like to review for the committee just what we have done since 1972 with regard to withdrawal of accreditation. Now, I realize that the minute I start illustrating how many schools we have accredited, I open the door to the question of what did you let them in for in the first place.

Mr. Hicks. Well, let me get a more basic question than that. What is your concept of the purpose of accreditation?

Mr. Fulton. Accreditation has many purposes from a statutory viewpoint. The responsibility has been to certify the quality of education.

Now, that's what Public Law 82–550 originally charged the accrediting agencies to do. That's their prime responsibility under the statutes.

Mr. Hicks. Yes, but we've had accrediting services of one kind or another forever, in education of all kinds, whether it's a public high school or college or vocational schools or whatever it is, and I suppose that, basically, they have some common core or some common thread that ran through the purposes of all of them.

You've stated earlier that accreditation doesn't necessarily mean the stamp of approval for everything, so between the extremes it doesn't mean everything, and surely, it doesn't mean zero. Someplace in between it should mean something, and I would like to start from that.

Mr. Fulton. All right. First of all, it is not a permanent relationship. It is an ongoing relationship that requires both the agency and the institution to continue an intimate relationship. It's a bilateral relationship.

Mr. Hicks. But with what objective in mind? Does the institution provide certain minimum standards?

Mr. **Fulton**. Not only minimum standards, but should strive to have more than a minimum. It is not a set of pharisaic niceties, where if you do this, you don't have to do any more. It has a greater challenge to the institution; you must continue to do more, and just because you're doing today what you did 5 years ago, that's not enough. You should be doing more now.

Mr. **Hicks**. But if you accredit an institution, the public knowing that it's accredited, a prospective student selecting that institution should be able to be assured that it meets certain minimum standards whether he knows what those minimum standards are or not.

Mr. **Fulton**. That is true, but it is our position that some people, and possibly the accrediting agencies themselves, have been put in a position of warranteeing too much, just like the CPA can't warrantee a balance sheet. He can say yes, by generally accepted standards, we have run such tests as we think are in conformity with AICPA, and so on.

Mr. **Hicks**. Yes, but they put a caveat in there, too, and we depend on what they tell us.

Mr. **Fulton**. And we think the accrediting agency should be allowed to do the same thing.

Mr. **Hicks**. Do you?

Mr. **Fulton**. Yes, sir.

Mr. **Hicks**. You put that statement on, that we didn't go look at it, we accepted their word.

Mr. **Fulton**. Oh, no, sir.

Mr. **Hicks**. That's what the CPA does.

Mr. **Fulton**. Well, sir, again for the record, I would like to say that the accrediting agencies should be allowed also to say that they are not police agencies. They do not have somebody to sit at the door. There is a set of shared responsibilities and our point of view begins with looking for quality.

Mr. **Hicks**. At the time that you accredit, though, you feel that institution meets certain standards.

Mr. **Fulton**. Certain standards.

Mr. **Hicks**. And if sometime down the road, whenever you inspect again, or however you do it, if it's fallen below that you may give it an opportunity to pull itself back up, and if it doesn't do it, you will disaccredit it.

Mr. **Fulton**. That is correct, sir, or we may act on our own, when we've had reasonable belief and information to do it, and which we have done, in some cases at the invitation of the USOE.

Mr. **Hicks**. All right, then. How much should the Government be able to rely on what you do in the way of accrediting? There was some statement to the effect that the Government shouldn't be able to rely at all, they ought to do their own.

How much should they be able to rely on you and how much should they do themselves?

Mr. **Fulton**. They should be able to rely upon us within what we define as our responsibility as we perceive the statute and as we respond to the criteria published by the Commissioner of Education.

We are responsive to that. We are not free souls. We must respond to what the Commissioner demands we do in his criteria, and to that extent, I think the public should certainly be able to rely upon what we do.

Mr. HICKS. Thank you, and excuse the interruption.

Mr. FULTON. That's quite all right.

Incidentally, for the record, since you are a former judge, I must note that I respectfully take exception to your observation that the FTC does not have jurisdiction over nonprofit organizations.

My personal opinion, that is, that I think a well-selected, well-argued case might well establish that the *Kansas City Blood Bank* case was an aberration and that, on the other hand, maybe the FTC's successful jurisdiction of Ohio Christian College, a nonprofit, was done for strange reasons but with the right result.

Mr. HICKS. My statement was drawn from what the FTC itself has stated. I don't intend here to pass on what FTC's jurisdiction is.

Mr. Luman?

Mr. LUMAN. To follow up on the chairman's question, one of your guidelines regarding advertising is that any advertisement must be completely truthful and must avoid leaving any false, misleading, or exaggerated impression with respect to the school or the occupational opportunities, et cetera.

Should the Government, in your opinion, look at that statement and look at the school's accreditation and therefore not worry any more about the advertising of that school?

Here is one of the overlap areas it seems to me, where you are concerned about advertising and so is the Government.

Mr. FULTON. I do not feel that any single point of view should be relied upon. I think that there are three sets of obligations, and to avoid any one of them, I believe, provokes a possibility of mischief. I would add on to that that if the State is doing its job in licensing and the accrediting agency is doing its job in accrediting, certifying quality, what need be there for the Government to have this deeligibilization authority of section 438(a), and I guess my answer is that there are some things that are peculiarly within the knowledge of the Government program administrator.

For example, we do not administer the guaranteed student loan program. We do not know as an accrediting agency how many students with insured loans have defaulted. That's knowledge particularly within the program administrator. So I would have to say that I do not think that there should be sole reliance on accrediting agencies or State licensure to avoid utilization of some other avenue of protection.

Mr. HICKS. What do you think the function of licensing is?

Mr. FULTON. The function of licensing is a State responsibility, and I would like to rely upon a set of definitions—I might put them in the records—offered in the study for the accreditation of selected health education professions sponsored by the National Commission on Accrediting.

They give the definition of accreditation and one of licensure, and define licensure as the process by which an agency of Government grants permissions to persons needing predetermined qualifications to engage in a given occupation or use a particular title, or grants permissions to institutions to perform specified functions, and I accept that definition.

Mr. HICKS. Licensing, then, means meeting minimum standards, too.

Mr. FULTON. I would accept that, yes, sir.

Mr. HICKS. But the standards that you look at as an accrediting agency, are not necessarily the same that the State will look at in determining whether to issue a license.

Mr. FULTON. That is correct.

Now, what becomes a primary object of scrutiny and what is secondary to it can change. Now, if you're looking at quality, obviously you're looking also at the stability of an institution and how well funded it is.

On the other hand, if you're the State and you're concerned about the proper number of seats in the classroom, the fire extinguishers, and bathrooms, you also are concerned about the way that has an impact on the quality of education, but it's what is a primary emphasis and what is a secondary emphasis.

Mr. LUMAN. We could have a situation where the Federal Government, the State, and the accrediting agency were all concerned about the same thing. Let's say advertising.

Mr. FULTON. All right.

Mr. LUMAN. The FTC is concerned about deceptive advertising, the State could well concern itself with deceptive advertising, and your own ethical criterion concerns itself with deceptive advertising.

Mr. FULTON. That's right.

Mr. LUMAN. In your opinion, this is acceptable, if you have occasional areas of overlap. It's just providing additional safeguards.

Mr. FULTON. I believe so. It's like the 55-mile-per-hour speed limit—the AAA is concerned about it, the States are concerned about it, and the Federal Energy Administration, and yet people still exceed 55 miles per hour.

We do think that another one of the problems is the contrast in the shifting attitudes of the various Government agencies with regard to proprietary schools.

For example, several years ago the FTC published some proposed guides for what they call the industry. I think those guides now, in their final version, are a very fine set of minimum standards for most any proprietary institution. They are the results of cooperative liaison of people sitting down and discussing problems, institutional responsibilities, and people on the other side of the table accepting the fact that not all proprietary schools do the same things in the same way. Then suddenly, there is a new cast of characters, for example, and we have a whole new environment now.

Mr. HICKS. Why should proprietary schools' accrediting be any different than public accrediting?

Mr. FULTON. We don't think in all cases it should be. There is one possibility, that proprietary schools are generally entirely dependent upon income cooperation, whereas public schools, while they're entirely dependent on income, it's legislative appropriation rather than the full payment of tuition by the individual, and private tax-exempt nonprofit colleges have a quite often healthy supplemental endowment income so that there is an additional responsibility by an accrediting agency dealing with the proprietary school not to ignore the fact that the financial stability of an institution is related to its tuition receipts, so there is that difference yes, sir, but that doesn't prevent accreditation from being extended to proprietary schools.

Mr. HICKS. As far as the minimum standard of what it delivers to the student, they ought to be both the same then.

Mr. FULTON. I think that's a reasonable expectation.

Mr. HICKS. Or if there are three categories—you categorize them as three; public, nonprofit, and private.

Mr. FULTON. Yes, sir, tax-consuming, tax-paying, tax-avoiding.

We also feel that there has been an overemphasis on accreditation as the equivalent of eligibility, but I think these hearings have now fairly developed the viewpoint that the States do and should have a role, and I maintain that the States have had a role all along.

I think if you'll compare the eligibility definitions under the insured loan program, for example, under 435(b)(2) for higher education and 435(c)(2) for vocational schools, you'll find the language is not quite the same, and I don't think Congress intended just to have a dull litany when they refer to the fact that the institution shall have authority from the States or for the program of education. Congress meant what it said in these sections about authority from the State.

Now, whether or not in the administration of the law that aspect has been fully implemented, that's something beyond our capability, and again, we also say that we are not here to say that accreditation should necessarily always be one of the three elements.

If Congress feels that accreditation should not be used, that's a public policy decision. We are not here seeking monopoly, but what we would say, that based on our experience we feel that as a determinant of eligibility there should be two concurrent, independent judgments of an institution.

Whether or not one of those should be accreditation, that's a public policy decision.

We would say this, that you know, just like any jackass can kick down a barn, but it takes a good carpenter to build one. If you don't want to use accreditation which is here, it is a vehicle, it's not that easy to construct an alternative. For example, the Newman Task Force has suggested that there be new procedures established to divorce accreditation from eligibility.

Well, you know, that's fine, but show me the procedures because discriminating judgments that are defensible to Congress, to the agencies, to the public and can endure the harassment of the press and the media have to be made, and people, we have no immunity from liability. We are defending a $4.5 million law suit filed against our agency because we've refused, until certain papers were filed and they have not yet been filed, to continue the accreditation of five schools when ownership control changed.

Now, an accrediting agency of course can't endure an endless set of law suits. It would bankrupt us, but I want to assure this committee and I want to assure the administration that we have pledged our resources to defend that suit because we think our decision was correct on the merits. We think our procedures were sound, and we think the request was reasonable.

Mr. Hicks. What do you mean by harassment of the press? I understand what that means when you get to Congress.

Mr. Fulton. OK. Put it simply like this. I think as a lawyer, you realize that due process does contemplate some privacy; at some point, you go public, but there is a point at which you carry on certain activities before you go public and notify people of the decision adverse to somebody, and that is one of the problems that plagues an accrediting agency—wherein, you know, we just don't have drumhead justice. We don't have vigilante law.

When a school has been accused of wrongdoing, it should have an opportunity to be confronted with the accusation and either refute it or explain it, and then get a ruling; and then as we proceed, and we could be wrong, due process permits, as the USOE Commissioner's criteria would require of us, that the school have an opportunity to have that initial negative action whether it be suspension or revocation, reviewed by somebody before you make a public announcement.

Now, that can't be done overnight. It needn't take a year or two like Dr. Orlans said because we, in the space of 15 months, rewrote our criteria, our bylaws, we established a review board, we went in and made audits of institutions, we had hearings, we had reviews, and within this period we withdrew accreditation from some 21.

Mr. Hicks. You mean fairness to all concerned—that isn't necessary to go to the Washington press until you had your opportunity to make your review.

Mr. Fulton. In fairness to the institution, I think there is some degree of privacy appropriate.

Now, if Congress—for example, contrasted with the State agency that has compulsory process, the initial proceedings probably are of a public nature, the trial of the first instance, so to speak, there is a contrast there.

Mr. Hicks. Well, people feel that the grand jury proceedings ought to be private, too, but we have a segment of society that doesn't believe that.

Mr. Fulton. That's right, and if Congress decides that they can give us some sort of immunity from damage liability, that we should go public and possibly even say, well, a school's under investigation and there's no civil liability for making such an announcement, that would be fine.

Mr. Hicks. But that doesn't protect the school against people remembering the charge but not the disposition. In our State, we don't need a grand jury; in State proceedings the prosecutor proceeds by information. If every time he was looking into somebody he told the press that he was looking into this particular individual and it's run across the headlines of the newspaper, the fact that he makes his determination a week later that there isn't anything there in the way of a case doesn't undo the harm.

Mr. Fulton. That's the problem, sir.

Mr. Hicks. Well, maybe there's some good about it, too, along the way, but I see the harm more than I see good in the everyday workings that we have going.

Mr. Luman?

Mr. Luman. How do you fit in though, Mr. Fulton, in trying to be fair to the school at the same time the school is continuing to get new students? You mentioned the States' powers; do you think in this case that the State can act faster than the accrediting association?

Mr. Fulton. I'd like to field that question to Mr. Jones, who serves on the statutory 1202 coordinating committee in Florida and has some familiarity with Florida licensing law.

Jack, could you answer that?

Mr. Jones. The issue would be, of course, the particular State law. With a good State law, yes. The State licensing board can proceed much faster than an accrediting commission in its deliberation.

However, problems that have recently arisen indicate that they're going to have to be very careful under the drafting of the act, and I would like to cite you an example.

In 1971, the State of Florida passed a diploma mill act and set up a board of independent colleges and schools, independent colleges and universities. To avoid conflicting jurisdiction with the schools accredited by nationally recognized accrediting agencies, there was written into the bill a section that provided that any school accredited by a nationally recognized accrediting agency would be exempted from the licensing and regulatory requirements of the act.

When the bill, on its way through our legislature, reached the appropriations committee, the appropriations committee wrote in a paragraph that said any of the six classifications, and there were six schools exempted from the licensing and regulatory provisions, could upon filing an application and paying the licensing fee be issued a license without further process.

That puts Florida in the position that when our accreditation commission accredits an institution as a business college, that institution may automatically through our State licensing board be given the right to grant collegiate degrees, and we now have a situation in Florida which is going to require correction, and so that in many cases improperly drafted licensing provisions can cause more trouble than they help.

Mr. Hicks. Well, that's just an indication of the State putting it onto accreditation and not wanting to take any responsibility itself.

Mr. Jones. Precisely. The State should take the full responsibility in my opinion for State licensing.

Mr. Luman. There is a problem, then, with an accrediting agency with regard to due process in the school. If you have a report of improper operations, there's going to be a time lag until you can get to the point of deaccrediting. Let's say the school does not respond to your initial request that they change; then you have to get to that stage.

Mr. Fulton. Oh, yes, if they don't respond, of course, then we proceed.

Mr. Luman. But we may go through several classes of students.

Mr. Fulton. It's a period of at least months.

Now, for example, on an optimum time frame, have we disaccredited anybody say within 6 months, from the time we have leveled charges, had a hearing, and reviewed a publication?

Mr. Hart. Yes, but not too much less than 6 months, but it can be done because we have to allow for the appeal time, et cetera.

Mr. Hicks. Do you have any provision of putting people on probation for a period of time, saying do this or?

Mr. Fulton. Yes, we do.

Now, we also had to build our own definitions, Mr. Chairman. What is probation, what is suspension, what is revocation? A lot of people attach some sort of onus, or probation being a punishment. Now, we decided to use probation—literally what it is, it's under probate, it's under study. There's nothing necessarily guilty. In fact, any institution that's accredited is always under study, theoretically, in the remote sense.

Probation, as we view it, is a charge that during a certain period of time you should do specifications one, two, three, but when we started to restructure our whole criteria—for example, I met with the American Association of Law School people, and I couldn't even get agreement between their director and assistant director as to what suspension meant, so we had to sit down and define our definitions.

Ours may not be the best, but they are in our criteria and we think we can work with them. We think we've seen a watershed of our problems. For example, one of the problems was change of ownership. Now, we used to have an approach that we had to go and take accreditation away if we were dissatisfied with the new owners, new ownership control. Ownership control, we decided, is an essential element of an institution, so we changed our procedures so that when it takes place which is an act in which we play no part. It's self-executing, discontinuation of accreditation until it's reinstated, and the burden is on the institution. The burden of proof is on the institution and the burden to come forward to us and get its accreditation back.

Now, this doesn't necessarily mean a fight, but it does mean it's an act of the institution cutting itself off from us by changing an essential element of what is an institution, then they must come back to us. We think that has substantially contributed to the diminution of our problems.

Mr. Wydler. What does that mean, change of ownership, what does it mean in the sense of a corporation, what do you consider a change in a corporation?

Mr. Fulton. Any significant change in the control of the institution.

Now, I remember your question the other day about just a strawman managing a school. What we mean is the actual ownership control.

Mr. Wydler. What does that mean?

In the case of a corporation, does it mean the change of a president? Does it mean a change of the board of directors? Does it mean a change in 51 percent stock?

Mr. Fulton. Less than 51 percent. I think Mr. Jones has a comment on that, but it means all three.

Mr. Jones. I believe that when we adopted the policy, when we used the word a change in positive or negative control, meaning that if 50 percent of the stock changed hands, that this could be a negative factor in the control of that organization.

It did not have to be 51 percent, but anything less than that would not be a change of ownership control.

Am I correct on that?

Mr. Roblee. That's correct.

Mr. Wydler. Well, I can see that's full of loopholes. As an attorney, I can see a lot of ways to get around that. That would be simple to do, I mean, 50 percent at any one time in history, I sell someone 40 percent of the stock, and then three weeks later sell him another 20 percent.

When do you consider the control is changed?

Mr. **Fulton**. You're absolutely correct, and I think it came out the other day that accreditation presumes that you are dealing, however errant someone may be, they are within the ambit of good faith.

Now, you know, speeding laws don't prevent speeders, and accreditation just cannot contend with deliberate fraud any more than State licensing.

Mr. **Wydler**. Well, I'm not even suggesting that would be deliberate fraud. It might very well be a very legal way to do it, but, I mean, it would accomplish the results, and I don't know how you could really deal with it. How could I really deal with that situation because control could be sold at one time, or it could be sold slowly over a period of time.

When do you determine? It seems to me——

Mr. **Fulton**. That's why we use the term ownership control because we didn't want to fall into a trap of legalistic determinations. We wanted to, you might say, look at equity.

Mr. **Wydler**. What I'm saying, instead of making a 50 percent sale, if a person makes two 25 percent sales, you know, we've got two completely different results.

Mr. **Jones**. I don't believe that's the interpretation or the enforcement, the accumulative effect. At a point in time when we accredit the school, we know precisely what all of the ownership of the stock, where it is located at any point, and if up to 50 percent of that has changed hands, we would consider that a change of ownership or control.

Mr. **Wydler**. Even though it was sold even legitimately to different people?

Mr. **Jones**. One share at a time; it would make no difference.

Mr. **Wydler**. There was a change—as soon as 51 percent of it is not in the original names of the original owners, you consider that a change of ownership?

Mr. **Jones**. I definitely would because there you have a situation in which an individual could exercise negative control, contrary to the criteria, or we may find someone who is in control of a school whose record is such that he should not be in control of a school.

Mr. **Wydler**. Well, who controls? I don't want to get too philosophical here, but it just raises in my mind some questions.

Who controls, for example, a university? Who's in control of it?

Mr. **Fulton**. Well, it depends on which universities. For example——

Mr. **Wydler**. Well, take a State university.

Mr. **Fulton**. Well, that's different from a private university.

I grew up in a State where the University of Florida was the establishment school. It was pretty well agreed that it should have a good football team. We didn't have much of a football team, but the State legislature had a very proprietary interest in the University of Florida.

On the other hand, there's been a lot of soul-searching by some of the very religious denominations on who runs some of the church-related universities, and there's been a lot of internal upheaval with regard to them.

Actually, many church-related colleges are in a sense proprietary nonprofit in that they are owned by a given, identifiable group of people. So, again, it's not that simple, but there is an ownership control even with private colleges and universities and public ones.

Mr. **Wydler.** But I don't think they would consider the importance of the control, a change in the ownership really important there. There, you'd be more interested in you and the changes in maybe the makeup of the board of trustees.

Mr. **Fulton.** Correct.

Mr. **Wydler.** That really would be the significant change.

Mr. **Fulton.** Which is where the ownership is reposed. That's correct. I mean, I would agree.

Mr. **Luman.** Are you concerned here that one might start out as a fraudulent operator and buy a small accredited school, pump it up, take a lot of front-end money and then abscond? Is that what you're trying to stop here?

Mr. **Fulton.** Yes; or someone who may have been a good operator and got in trouble. I mean, it could be a variety of things, but we want to try and protect against trafficking in accreditation and trafficking in education.

This has been our attempt.

Mr. **Hicks.** What's the typical kind of trouble that the proprietary school can get into?

Mr. **Fulton.** One of the problems that has emerged is that the schools came into the programs of financial aid for students administered by the USOE, sort of by the back door.

The guaranteed student loan program was enacted in 1965. It was sold to Congress as loans of convenience for middle-class students. Actually, it was a political response to the Ribicoff-Dominick tax credit for tuition proposal, which was gaining quite a bit of momentum. As a footnote and as a small separate bill, the education establishment realized that here were millions of students and thousands of types of schools who were not a party to the National Defense Education Act, the college work-study program, or any of these other programs.

So they, as sort of a sop, gave them eligibility, but most of the students, as a central tendency, they tend to be from the lower socioeconomic group. These students had to have loans of need, not loans of convenience. So these schools got for their students an unbalanced diet, you might say. It wasn't until several steps later, in 1968, when college work-study and National Defense student loans were made available to their students, and in 1972, when there were opportunity grants, that a balanced program of student aid was available. So there was a period there when schools had too much of one thing in the student aid diet. That was insured loans.

There were also some problems with the administration by the USOE, an inconsistent attitude. For example, it's ironic that the prohibition against discounting and premiums and compensating balances, all normal business practices, worked to prevent the schools from having money on deposit in the bank which would support their financial stability and provide for refunds if students withdraw from school.

Now, actually, there's a worthwhile motive unsupported by statutory authority. But it had an unfortunate effect. Conversely, the OE has not implemented other authority that they've had to deeligibilize schools. Today, I'd say this, that a good school should have a balanced program of administration of student financial aid so that the students would have access and availability to a college work-study and the NDSL, opportunity grants. Insured loans should only be part of the portfolio of assistance available to a student.

Mr. HICKS. But how did they get in trouble?

Mr. FULTON. They got in trouble because initially that was the only program available to their students. It's like telling a man who is overweight, you eat too many potatoes, but the only thing he has available to him is potatoes.

Mr. HICKS. I understand the words that you're saying here, but I don't understand why that's trouble to the school. How did they get in trouble, so you're going to have to regulate them?

Mr. FULTON. Because the Federal policy of those years was to open up the availability of student aid. You know, you can increase the supply of education facilities, or you can increase the population that will take advantage of existing facilities. These new Federal programs, in my opinion, increased availability of financial assistance to populations not previously having access.

Mr. HICKS. Now, you're saying there are a number of new schools that grew up, then?

Mr. FULTON. No, sir; a bunch of new students.

Mr. HICKS. Well, how does that hurt the school?

Mr. FULTON. Because then people who were not middle-class oriented began utilizing a system of financial aid that was designed for middle-class people, and that led to problems of administration of the guaranteed student loan program.

Mr. HICKS. Such as?

Mr. FULTON. Such as people not really understanding that this was a loan. Such as people borrowing money who don't know how to go into a bank.

Mr. HICKS. How does that hurt the school? I can understand how it hurts the student when it comes time to pay it back.

Mr. FULTON. Right.

Mr. HICKS. But how does the school get into trouble so that it wasn't providing what it said it would in the advertisement?

Mr. FULTON. Very simply, there was no governor put on the institution when it became, for example, an eligible lender.

Under the law, an eligible institution can also be an eligible lender. Now, despite giving notes and signing pieces of paper, it still takes dollars to pay teachers to teach people that you've made a contract with to provide them an education. When the interest rates shot up and the OE put no restrictions on how much paper you could accept from a student, from groups of students, and then the schools had no way of marketing that paper, because either the banks didn't want to buy it, or the OE instituted prohibition against discounting the paper, which is a normal business practice, the schools then had a bunch of students and they had a bunch of notes, and they had no cash dollars to pay the teachers.

That's an example of how they got in trouble.

Mr. HICKS. Then what happened?

Mr. FULTON. And what happened is that some schools became incapable of fulfilling their responsibility, and they went out of business.

Mr. LUMAN. Do you think we also might have a problem, Mr. Fulton, in that there is a lot more temptation to go for easy money with this whole new influx of people who otherwise you wouldn't bother to recruit because they didn't have money? They suddenly have the money now, and perhaps a lot of students were brought in who perhaps shouldn't have been brought in at that time?

Mr. FULTON. I think that Mr. Rhude and Mr. Jones can, we encountered examples of that when we audited some schools down in Texas.

Of course, I think we all agree that entrepreneurial zeal is not limited to proprietary schools, but it did take place.

Mr. RHUDE. May I respond to that?

Mr. Chairman, I would like to respond, if I may.

I think these two points are very valid as to what problems some schools do develop. In the original days, it was a matter of filing application to become an eligible lender when the program first started.

Of course, we know that was a mistake, and of course now that has been corrected, and it's very difficult for a school to become a lender. Perhaps none of them should ever have become a lender unless they were very large and capable of handling their finances, and this did happen, I know, in a number of cases of people I know myself.

They became a lender, increased the size of their school through the program, received all the notes and the applications for loans, and had some commitments from banks, savings and loan, and others to finance this paper, and when September rolled around and they went to the bank or the savings and loan, or whoever, who had made these oral commitments, they were not in a position to fund this paper.

So the school had several drawers full of the paper. The school is full of students and no cash to operate. Some had enough resources where they could borrow money until some of those papers could be funded, and some didn't.

The second point that Mr. Luman made, I think is very true, that not only the schools themselves, but when the program became available—of course, high schools and high school guidance counselors were notified of all the new programs available, the students were notified, and more students who may—it's hard to say, maybe should or should not have come with a particular school of any kind, took advantage of the programs, who probably didn't do this the year before or the year before or the year before that, and I think this definitely was a problem in the beginning days.

Mr. LUMAN. Did we make a goof? We still do this by giving the student the whole tuition at one lump sum, and then he passes that lump sum on to the school. I imagine if you go in with your own money, you pay as you go, don't you?

Mr. RHUDE. By quarter or semester or something.

Mr. LUMAN. Yes, and it gives you a little bit of clout with the school, for one thing, and second, if you decide it's not for you and you drop out, you haven't put all of your money in.

Mr. FULTON. Incidentally, the BOG (basic opportunity grant) program calls for, I think, either three drawdown payments or at least two. It's not initially turning over all of the money to the institution.

Mr. HICKS. Before we get beyond this here, now, what do you gentlemen feel is the Government's responsibility in this turn of events?

Mr. JONES. I'd like to respond to that. Mr. Chairman, the history of the schools accredited by our commission is that they were not large, you might even call them "mom and pop" type schools, very small family operations generally.

When the guaranteed student loan program was enacted, we saw a movement into this field of many large corporate enterprises who saw that they had cash available or they had influence with banks to insure that the students enrolling in schools that they purchased would get these insured student loans.

I don't think it would be appropriate to call the names of these particular corporations. They're certainly available, but one particular corporation acquired some 23 or 24 schools in our field, a large number of them in the State of Texas.

Now, these schools had been reputable schools, accredited schools, for a number of years, and our commission had accredited them. We had no knowledge that it was going to be any change, but when this change was made the corporation——

Mr. HICKS. Are you talking about conglomerates here?

Mr. JONES. Conglomerates, precisely. The conglomerates brought in new tactics, corporate tactics, and they went out and sold tuitions. In almost every case, they sold it on the basis of a guaranteed student loan. They paid high commission rates to salesmen. They brought in students who were not qualified.

We were finally approached by the Insured Loans Division, Mr. Simmons' office and Mr. John Proffitt's Office of Institutional Eligibility and Accreditation, to say that they had information indicating a high dropout percentage, and our commission responded immediately and we conducted investigations and we took action, I think in the year I served as chairman, against 27 such schools.

Mr. HICKS. All owned by corporations or conglomerates?

Mr. JONES. I would say that there must have been at least 20 of those schools owned by conglomerates.

Now, not all conglomerates have this record. Some are doing a very fine job, and I don't want to tar them with the brush of the few that causes the difficulty, but you must keep in mind that our particular field of schools is a very small one. Mr. Fulton said perhaps 150,000 students enrolled each year.

This is a drop in the bucket compared to the enrollment, for example, in the home study schools. I don't have facts but I would surmise that the five largest home study schools have more students than all of our 500.

Mr. HICKS. That's what you call a correspondence school?

Mr. JONES. Correspondence, yes.

As a result, the impact on our particular field was more noticeable due to the small size of our field, but I think the problem, then, was people unfamiliar with education in our particular field coming in possibly to take advantage of what appeared to be a windfall of Federal legislation, and whereas our commission had functioned for many years not as a policing agency or a licensing agency, but a voluntary accreditation agency for the purpose of upgrading our schools, and I'm going to add to what Mr. Fulton said, and I think one of the primary functions of an accrediting agency is to encourage the upgrading of the standards of the schools that are its members.

The advent of the Federal programs placed us in an entirely new role. The Federal Government through the Office of Education and insured loans then said you are the ones and the only ones who can put a stamp of approval on the schools; do something.

And we were an agency unqualified to be a policing or a licensing agency, and I think Mr. Fulton summed it up correctly. We moved rapidly, and we are still moving rapidly to meet these two demands, but these are demands that have not been traditional or normal for an accrediting agency.

Mr. HICKS. What is the Government's responsibility for this problem? What should they do?

Mr. JONES. The Government's responsibility, in my opinion, is one of passing on of information to the accrediting agency.

We do not have the statistics, the data from a Government agency that disburses the funds, that knows the number of defaults.

Their computers apparently have been unable to keep us current, and the information that we were getting during the period of my service on this Commission was so old that the horse had been stolen before we could get around to closing the barn door.

Mr. FULTON. Could I interject myself there, please?

Mr. JONES. Yes, please.

Mr. FULTON. I would again get back to the triangular set of responsibilities, as what can and should the Government do.

I think that the Government program administrators have the particular knowledge and they should do directly. They should act through their statutory authority under section 438(a) to set standards, publish regulations, and if a school violates those regulations, to condition, suspend, or terminate the eligibility of an otherwise eligibile institution.

I think the government, either the State or the Federal, depending on the program administration, should do directly what it's charged with doing, rather than always acting through the accrediting agency.

Mr. HICKS. Now, have you gentlemen testified before Mr. O'Hara?

Mr. FULTON. Yes, sir.

Mr. HICKS. Did you, in testifying before him, recommend legislation that his committee has jurisdiction of, to help correct some of the problems?

Mr. FULTON. Yes, sir. Well, first of all, we've taken the view that the present State authority is there, has not been assumed in all cases, and we would expand the authority of 438(a) to embrace all programs of student financial aid, not just the guaranteed.

Mr. Hicks. What's the 438 out of, some education act?

Mr. Fulton. That's title IV of the Higher Education Act, and it is the specific authority of the OE to what I call deeligibilize an institution.

Unfortunately, the OE has not yet implemented that authority, and is still more or less relying on the accrediting.

Mr. Hicks. In your opinion, do they have sufficient authority?

Mr. Jones. Yes, sir.

Mr. Hicks. Or should they have more legislative authority?

Mr. Fulton. They have sufficient authority, as that section applies to the guaranteed student loan program.

My recommendation to Mr. O'Hara, and our recommendation here today, would be that that authority that is now limited to the guaranteed student loan program should be expanded to embrace at least all programs of student financial aid.

Mr. Hicks. All right.

Now, what should the Veterans' Administration do and what should the social security people do? They had large amounts of money that they're dispensing in the education program.

Mr. Fulton. That moves over into other areas. Federal assistance to education is sort of a series of fiefdoms and baronies. For a long time the OE wouldn't even acknowledge the existence of the Social Security dependent's survivor program.

Mr. Hicks. You understand without that, though, we wouldn't have any reason for existing in this committee here. Mr. O'Hara would be the one that would be looking at the problem, but we have a jurisdiction that cuts across the Government. In other words, we can look at what these other administrations are doing, and we can make a report.

We can't offer any legislation, but that is our function, and that's why it's important to us to have your observations.

Mr. Fulton. Well, my observation, and Mr. Jones may want to expand upon it, is that I think whatever agency, Social Security or VA, I think the purpose of the program should be acknowledged.

Is it a welfare program? Is it a cost of education supplement, or is it an entitlement like the VA, because they do differ.

Second, is there a particular class or category of schools, whether proprietary or tax exempt, or students, who are causing a particular problem, and if that is the problem, get at that problem.

Another recommendation——

Mr. Hicks. Well now, entitlement or not the Government still ought to be interested that if they're paying for some education, they ought to get that education.

Mr. Fulton. That's right, but the way in which they are entitled may affect whatever safeguard you might want to suggest on this determination. Then another problem with the VA is, I mean, there's no hostility, there's sort of a bemused or befuddled what are we doing in the game, because they have a very detailed system of State approval. As Dr. Arnstein well put it the other day, they have a rule against everything.

Now, it may not be concurrent with educational thought, but they have a very efficient system of preventing sin. They may not promote an education.

Another problem is, they have a system, something called program guides which are not generally available to the public. These really are at the heart of what the VA is doing in the administration of educational criteria and what's going on. I would suggest that it would be most helpful if the whole system of VA regulations interpretations could somehow be updated. It's one thing to have freedom of information, but it's another thing to know what to ask for, and I must say not in all cases are we abreast of what the VA considers to be current problems.

Mr. HICKS. That's one of the problems that the committees have, is that they sometimes don't know what questions to ask.

Mr. FULTON. Yes, sir.

Mr. HICKS. Well, now, do you have any idea what proportion of the dollars that go to these proprietary schools comes from the Office of Education, where there's guaranteed student loans or grants or whatever, and what comes from Social Security and what comes from the Veterans' Administration?

Mr. FULTON. I think it would vary by the student population.

Mr. Jones, do you have the information?

Mr. JONES. In the total program, in the Office of Education, the budget that they spend on student financial aid would dwarf that which the Veterans' Administration is spending.

As far as individual schools, there are some schools that specialize in one field or another, just as there are schools that have most of their students under financing of the guaranteed student loan program, there are schools that are mostly attractive to veterans, that have high veteran populations.

There are other schools, perhaps in the same field of work, that practically have no veterans in the school.

And insofar as veterans, the Federal Government has seen fit to encourage schools that were not enrolling veterans to do so by offering a veterans' cost of instruction program because it was felt that not enough veterans were utilizing the benefits that they had, perhaps because of the differences in the training allowances as compared to the cost of living and the cost of going to school.

Mr. LUMAN. Do you have any estimate, looking at the schools that you're concerned with here, of what percentage of their tuition comes from the Veterans' Administration, from guaranteed loans, from Social Security?

Mr. FULTON. Not current information, no. Again, you know, this is knowledge that's probably better known to the program administrators. We do ask the schools to give us some information on what happened last year, but by the time we get the report this year of what they said last year, the picture may change.

Mr. LUMAN. Well, do you have any rough guess as to the amount of federally supported students, using the categories I've just given, that are in your schools?

Would it be a third, a half?

Mr. JONES. I would say that in the schools that we represent, that certainly not more than 10 percent to 12 percent of the total student population would be veterans, and I would say that not more than 3 or 4 percent perhaps would be under the social security program.

I cannot estimate the number on the guaranteed loan programs because a student can go to a bank and get his tuition, and this organization would have no knowledge of whether he was financed in one way or another, but I would, as an educated guess, I would say that the bulk of the Federal funds coming to the schools in this field would be coming through the guaranteed student loan program.

Mr. Hicks. But are the number of students you have, there's 100 percent of your student body, what percent is one form or another, whether it's guaranteed loan or whatever, of the Federal dollar is involved?

Mr. Fulton. We don't know. We don't know, but I would say this, Mr. Chairman, that in my opinion if a school has a sophisticated administration of student financial aid, there is nothing per se wrong with 100 percent of the student body having some type of Federal assistance.

Mr. Hicks. Well, I'm not criticizing that. I'm just trying to get an idea of——

Mr. Fulton. I'm just saying that for the record.

Mr. Hicks. If all Federal aid were withdrawn, could any school that you know of continue to exist in the form that it is right now?

Mr. Jones. There would be some.

Mr. Rhude. May I respond?

Mr. Fulton. Yes.

Mr. Rhude. Mr. Chairman, I don't know the figures overall, and it's very difficult, as they mentioned, for us to have these figures available. There are many factors, but to take several schools I am aware of, whether they're typical or not quite typical, I'm not quite sure, but I would surmise in all programs that have some funding, State or Federal, there might be 70 percent of the students involved which would include the Bureau of Indian Affairs, through vocational rehabilitation in addition to all the other things. There's a wide variety of students and a wide variety of program purposes designed to help them so that what they receive depends on their situation. Whether that's a typical situation or not, I don't know. Most of our schools are generally small; I imagine the average school that we represent has maybe 250 students.

There are some larger and some smaller, but this would be the typical business college, in many cities throughout the country.

Mr. Hicks. Now, all of you gentlemen have read the Reader's Digest article, the Boston Globe, the Washington Post series, you are aware of that. How widespread are those illustrations?

I mean, will at least some of those illustrations apply to all schools? Will they be confined just to a very few schools? What is your opinion?

Mr. Fulton. Well, first of all, to take the Reader's Digest article, I think the summer camps, the nursing homes are now scheduled for the next set of exposes. I think you could take the Reader's Digest articles and just substitute either nursing homes or summer camps and pretty well write the same article.

Mr. Hicks. Or Congress.

Mr. Fulton. Or Congress. You know, news is bad news. That's it simplistically.

With regard to the Washington Post, Mr. Wentworth is a very fine reporter, but unfortunately his basic premise was destroyed by the facts.

Last year there was a lot of loose talk that 75 percent of the defaults in the loan program were attributable to students in proprietary schools. Now, subsequently, the OE division of insured loans has begun to get their computer running in shape. I think the facts will indicate that in the entire program, and FISL was only part of it, another increment is that which is administered by the State guarantee agencies, that the number of loans in default and the dollar volume of loans in default administered by the State guarantee agencies exceed, both exceed the number of loans in default and the dollar volume of loans in default, under the federally insured increment.

Now, if you read that, with the testimony of the national president of the State guarantee agencies, he said that less than 10 percent, probably not more than 6 to 8 percent of their loans go to students in vocational schools.

Well, since they did not make loans to vocational students, loans had to be made to what we'll call college students. As the facts are coming out and as the OE people themselves have now testified, they are not ready to ascribe defaults to any particular category of institution. That is the latest word from the OE.

Mr. HICKS. Mr. Fulton, maybe the smoke is not as bad as the articles made it, and I would hope that the smoke isn't as bad—in campaign reform, for example, as has been painted—nonetheless, there's something there and Congress recognizes that and Congress is trying to do something about it.

I'm assuming that there is something there with the smoke that's been raised by these articles, as far as proprietary schools are concerned. What are you willing to say, based on your knowledge, that ought to be done?

Mr. FULTON. We're happy to say this. We'll try, we'll continue to do what we've been doing. We do think that the experience shows with regard to insured loans and proprietary schools, that it doesn't take a sophisticated computer run to point out that where either State licensing has been lacking, or accreditation has been lacking, there have been problems.

Now, let's take New York, for example. Mr. Roblee is from New York, and I think he can affirm that there were high default rates in proprietary schools there, but generally they were in State regulated but nonaccredited proprietary schools.

California, you all heard testimony about the West Coast Trade School situation. California has a good system of State licensure, but as I understand, the West Coast Trade Schools were not accredited. By an exception, it was made an eligible institution.

Now, I don't want to escape responsibility. I want to make it clear. The next set of examples—I am talking about accredited schools. In such States as Texas, where Mr. Jones and Mr. Rhude went into, which they went into at USOE request, you had at that time no authority from the State, no licensing. Louisiana, Mississippi, were some other States where, although you had accredited schools, you do not have State licensure. So my recommendation is that the triangle of responsibility contemplated by Congress, articulated by Congress in the statutes, of State licensure, accreditation or some other independent judgment, plus deeligibilization, postaudit authority, be fully implemented.

The OE has yet, for whatever administrative reasons, I don't know, they have not implemented their authority at all. They are still trying to do indirectly through the accrediting commission what possibly they should be doing directly on their own.

Some of the States, for example, Indiana, Mr. Clark gave some effective testimony. He's not giving accreditation because there's no peer participation, but they're doing a good job, but I don't think all States have assumed this responsibility.

Mr. HICKS. What part do you feel that the Federal Trade Commission should play in this?

Mr. FULTON. Well, that's a very difficult question, because there's a new ethic there, and the old atmosphere of cooperation seems gone. These people are committed to four big law suits, and they've put their pride on the line. You know, it's understandable. I've litigated, and it's pretty tough to sit down and objectively discuss things when one-half of your personnel is out to hang scalps.

So the FTC has a very difficult role. I'd rather let them define their role. I wish that we had a more reciprocal relationship with them, but I think they probably should be limited to fraud situations. You know, the malefactors, and not get into the quality of education.

After all, they're committed to some sort of policy that if you don't get a job, you should get your money back. Maybe that should prevail, but maybe it should prevail as to all education.

Mr. HICKS. Mr. McInerney, do you have any questions?

Mr. MCINERNEY. No.

Mr. HICKS. Mr. Luman?

Mr. LUMAN. Only one final question. You mentioned the necessity to cooperate. Do you hold up your end of the cooperation, in your opinion? For example, will you refer complaints about a school of yours to the Federal Trade Commission, if that complaint might involve a violation of the law that the FTC could act on?

Do you see that as within your duties and responsibilities, or does that tug you in the opposite direction?

Mr. FULTON. I'm trying to contemplate the necessity of referring them, because, you know, if it violates the law, it probably also violates our criteria.

Mr. LUMAN. Yes.

Mr. FULTON. And we shouldn't pass the buck. I mean, we should act ourselves.

Mr. LUMAN. That's true, but you could pass a copy and ask yourself too, couldn't you? We've been talking about the fact that the school might be under three different strictures on its advertising.

Mr. FULTON. You see, they haven't been interested in any complaints we get. They want to rummage around our accreditation file, you know, and destroy the intimacy that we have with the schools, but they've never requested any copies of complaints.

Conversely, we have requested copies of complaints from them, so we could act, and to my knowledge, have we ever gotten anything from the FTC?

Mr. HART. We've never given them anything; we haven't gotten anything in relation to a complaint.

Mr. FULTON. I don't know about any legal liability here, but certainly any final decision made by us should be shared with the FTC, yes, sir.

Mr. HICKS. Thank you very much, gentlemen.

Mr. FULTON. Thank you.

May I file two exhibits for the record?

Mr. HICKS. Certainly. They will be accepted and will be made part of the record.

[Mr. Fulton's prepared statement follows:]

PREPARED STATEMENT OF RICHARD A. FULTON, EXECUTIVE DIRECTOR AND GENERAL COUNSEL, ASSOCIATION OF INDEPENDENT COLLEGES AND SCHOOLS

Mr. Chairman, and members of the subcommittee, my colleagues and I wish to acknowledge the serious responsibility accorded to us by you in responding to your invitation to give testimony to the Committee on problems confronting proprietary schools, the students enrolled in them and what can be done to resolve them.

I am Richard A. Fulton, Executive Director and General Counsel of the Association of Independent Colleges and Schools [AICS]. With me are:

Dana R. Hart, who is Executive Secretary of the Accrediting Commission of AICS which, under our corporate Charter, Bylaws, and The Criteria of the U.S. Office of Education, is the body endowed with independence of judgment with regard to accreditation of institutions within our scope of authority.

Jack H. Jones, President of Jones College, Jacksonville, Florida, a four-year degree granting, nonprofit institution. Mr. Jones is a former President of the Association and a former Chairman of the Accrediting Commission. Presently he serves on the Postsecondary Planning Commission in Florida authorized by Section 1202 of the Higher Education Act as amended in 1972.

Ernest E. Roblee, President of Jamestown Business College, Jamestown, New York, a business school authorized by the State of New York to award the Associate Degree. Mr. Roblee is currently serving as Chairman of the Accrediting Commission. He is also a member of the State of New York Education Commissioner's Advisory Council on Higher Education.

A. Lauren Rhude, President of Chapparal Career College, Tucson, Arizona, a business school authorized by the State of Arizona to award the Associate Degree. Mr. Rhude is currently President of AICS and formerly served as Chairman of the Accrediting Commission.

I would underscore the fact that while the bulk of our membership is institutions which are proprietary in form, we are not the Accrediting Commission for proprietary schools. Rather we are the Accrediting Commission for institutions other than public tax-consuming institutions, both proprietary and nonprofit, which offer programs of education in business and business-related programs, both at the collegiate level and at the postsecondary high school level. Further, some members of AICS are accredited by regional accrediting agencies.

Of the 500 institutions holding membership in AICS, the bulk of these institutions are proprietary in their form of governance. Some people would call them "profit-making institutions," others might refer to them as "tax-paying institutions" rather than tax-consuming or tax-avoiding institutions. About 15% of the institutions are tax exempt or, in the layman's term, "nonprofit" institutions. Some of these are church related, such as LDS Business College in Salt Lake City, Utah, or the Aquinas Junior College in Milton, Massachusetts.

Although many people are prone to classify proprietary education as a level of complexity or a particular program of study, it is our position that proprietary is merely indicative of one of the three forms of institutional governance, that is public tax-supported, private tax-exempt, and proprietary tax-paying institutions. The form of governance is unrelated to whether or not the institution is degree-granting or "collegiate." Within our organization there are proprietary, collegiate, baccalaureate degree-granting institutions such as Strayer College here in the District of Columbia, and tax-exempt 501(c)(3) institutions such as the American Institute of Business in Des Moines, Iowa, which is accredited as a business school instead of a collegiate institution. To those who persist in referring to "proprietary and other vocational institutions," we must respond that this has the same logic as those who refer to "nurses and other female health personnel" or "secretaries and other female clerical employees."

We each respond in our individual capacities. The views and opinions which we present to the Committee are our own and not the policy positions of either AICS or its Accrediting Commission. Nonetheless, we hope that our views may be of utility to the Subcommittee with regard to the problems confronting proprietary schools, the students enrolled in them, and what can be done to resolve them.

PROBLEMS AND RESOLUTIONS

In our attempts to articulate some of "the problems confronting the schools and the students and what can be done to resolve them" we have concluded that the role played by accrediting agencies and accreditation has too often been overemphasized, miscast and misunderstood. Simplistically, accreditation is peer participation in a judgment measuring the quality of education by pre-established criteria. It should not be confused with the distinct responsibility of state licensure and regulation or warranteeing the accountability expectations of program administration disbursing federal or state funds.

The problems and resolutions we have listed are by way of illustration and not limitation. Nonetheless, we hope they can point out areas of concern to assist the Committee in its recommendations. The order of presentation is in no way indicative of any particular priority.

VIEWS ON THE PROBLEMS CONFRONTING THE SCHOOLS AND THE STUDENTS AND WHAT CAN BE DONE TO RESOLVE THEM

1. Class Bias Against Vocational Education

The class biased assumption that proprietary students take vocational courses to get jobs but college students enroll in "traditional" higher education for potential intellectual stimulation rather than the desire to get a better job.

2. Not a Monolithic "Industry"

The unwarranted supposition that all proprietary schools comprise a monolithic "industry" all acting in concert and constituting a massive undifferentiated group of educational institutions lacking the diversity of, and not in communion with, "traditional" higher education.

3. AICS Has Acted Responsively and Expeditiously

The misinformation that an accrediting agency is hesitant to act decisively and expeditiously in the denial or withdrawal of accreditation or in response to student complaints.

4. Contrasting Government Agency Attitudes

The inconsistent, shifting, and at times diametric attitudes manifested by involved federal and state agencies ranging from constructive cooperation at the U.S. Office of Education to prosecutorial zeal within an adversary and coercive framework at the Federal Trade Commission.

5. Overemphasis of Police-Prosecutor Role

The serious jeopardy to the requisite intimate relationship that an accrediting agency should maintain with an institution in carrying out its original statutory role of certifying as to the quality of education or training afforded has resulted from the necessity of an accrediting agency to undertake a policing role because of either an absence of assumption of statutory responsibility or a lack of implementation of federal authority, or both.

6. Accreditation Only an Element of Eligibility

The erroneous tendency to equate "accreditation" with "eligibility" thus overlooking the important co-equal statutory responsibility of the individual states to effectively license and regulate schools.

RESOLUTION OF THE PROBLEMS

1. Elimination of Class Bias

Action to unburden vocational education, its students, and institutions which are proprietary in form from the patronizing and debasing class bias with which it is treated, wittingly and unwittingly by administrators, evaluators, and commentators.

2. Full Assumption of Authority

This is a trust of national scope merging the effective assumption of state responsibility with peer judgment of private accreditation and full implementation of federal post-audit authority to de-eligibilize so that the triangle of accountability is complete.

3. To Affirm Unity of Legislative Purpose

It was to help students that the Congress enacted programs of financial aid and not to:

(a) perpetuate educational institutions; (b) encourage bureaucratic turfmanship; or (c) enhance agency reputations by the exhibition of malefactor's scalps.

CLASS BIAS AGAINST VOCATIONAL EDUCATION

According to the Second Newman Report,[1] "Americans have long considered college as the gateway to the upper middle class." The report goes on at page 18 to cite: ". . . a steady stream of rhetoric from the educational community and government has tended to reinforce widespread expectations that there is a direct relationship between the amount of education and the likelihood of upward mobility in status and income." In fact, "college degrees, it has been pointed out repeatedly, are worth a great deal to the student over his lifetime."

Last week the Federal Trade Commission informed the Committee in its written statement that:

"Most students take vocational courses to get jobs, not for potential intellectual stimulation."

The obvious implication by the FTC is that college students are in school seeking "potential intellectual stimulation." The FTC theory for which no authority is cited is totally at odds with a study[2] by the prestigious American Council on Education, the organization of the higher education establishment, which reported that 85% of black college freshman and 73% of non-blacks most often cite as their reason for going to college the desire to get a better job!

Such an undocumented, blatantly class conscious rationalization by the FTC which ignores current research in higher education illustrates with great clarity the problems of prejudice confronting proprietary schools and students enrolled in them. This is part of a never ending effort to make them different from the rest of the academic community when they are in fact part of it.

Given the FTC's litigation commitment, one can perceive the necessity of its adversary effort to dichotomize proprietary students as "different" from college students. But if the overwhelming majority of students, vocational and college, in fact are in school to get jobs, as the unrefuted research shows, then the FTC is wrong. It is wrong and it is unfair. No student should be stereotyped racially, ethnically or educationally as the Federal Trade Commission has done.

As Dr. Stephen K. Bailey, Vice President of the American Council on Education, stated in his keynote address to the 1973 Annual Meeting of ACE:

"In our increasingly egalitarian world, our own generally accepted, if slightly droll, status displacements (the pecking order from Harvard to Cornell to Syracuse to Oswego State to Onondago Community College to Ajax Business School) are no longer amusing. Eight thousand, tax-paying proprietary schools want to know why training a historian for unemployment at the taxpayers' expense is better than training an accountant for useful employment at the learner's expense."[3]

By FTC logic, training a historian *is better* because it is intellectually stimulating!

NOT A "MONOLITHIC" INDUSTRY

Preponderantly, AICS institutions are locally oriented. Where they do have students from "interstate" areas it is more by geographic happenstance than by economic design. Normally this is true of any institution, public, tax-exempt, or proprietary, if located in a city such as New York, Philadelphia, Washington, Louisville, or Memphis. Similarly, it is to be expected of one which draws from a vast geographic area which is sparsely populated such as Denver. Generally such "interstate activity" is limited to two or three states which the metropolitan area serves.

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[1] "The Second Newman Report: National Policy and Higher Administration" Report of a Special Task Force to the Secretary of Health, Education, and Welfare, p. 18.

[2] Alan E. Bayer, "The Black College Freshman: Characteristics and Recent Trends."

[3] "Education and the State," Stephen K. Bailey, *Educational Record* vol. 55, No. 1, Winter, 1974, pp. 5, 8.

All AICS schools are *residential* institutions offering programs predominantly designed to train students for careers in business. The median enrollment in an AICS institution is about 250 students with a faculty of ten or less.

The average or median AICS school has annual receipts of $200,000. In fact, more than 20% of AICS schools have annual receipts of less than $100,000, although 21 AICS schools, mostly nonprofit, comprising 4.3% of the membership, do have annual tuition receipts in excess of one million dollars. These are not multi-million dollar institutions enrolling tens of thousands of students on a vast nationwide scale. They are modest, locally oriented residential schools trying to fill local needs for local employees and students.

COLLEGE TRANSFERS

Business school graduates have proved to be good risks for college transfer with recognition of credit for studies previously completed. Ferris State College in Big Rapids, Michigan, is but one example of the practice of accepting business school students with credit on transfer.

According to Dr. Robert L. Hitch, Director, Business Education at Ferris:

". . . the 52 business college transfers, comprising 20% of our enrollment in Business Education, are performing at a very acceptable level. Indeed, over 25% are making an excellent record for themselves on this campus."

For the record, we would file with the Committee, copies of 1971 and 1966 research studies reflecting the analysis by Dr. Hitch of graduates including business school transfers. They are: "Academic Achievement of Ferris State College Business Education Graduates for 1966–1968;" "Certain Characteristics of Ferris State College Business Education Graduates for 1958–1965."

ACCREDITATION IS ONLY AN ELEMENT OF ELIGIBILITY

In discussing such terms as "accreditation" and "eligibility", great precision should be observed. Often one hears that erroneous statement, "accreditation is one device currently used to determine eligibility." More precisely, accreditation is often a necessary element, but by itself is insufficient to establish "eligibility" for particular programs.

We suggest that a review of the statutory definitions of eligibility for purposes of USOE administered programs of student financial aid as contained in Section 435(b)(2) or Section 435(c)(2) or Section 1201(a)(2) or Section 419(b) will show that all define eligibility as a bundle of elements, *only one of which is accreditation*. Unfortunately, many people, in our opinion, tend to equate accreditation with eligibility. This, for example, ignores the essential and vital role and responsibility of state government as a co-equal, but independent element in that bundle all of which go together to make "eligibility."

State responsibility is quite specific and is certainly differentiated for an "eligible institution" under the Guaranteed Student Loan Program depending upon whether the school is an "institution of higher education" or a "vocational school."

Section 435(b)(2) requires that an "institution of higher education," to be an eligible institution: "is legally authorized within such State to provide a program of education beyond secondary education."

However, in Section 435(c)(2) for "vocational schools," Congress was much more specific and elaborate in that a vocational school: "is legally authorized to provide, and provides within that State, a program of postsecondary vocational or technical education designed to fit individuals for useful employment in recognized occupations."

In other words, we think Congress, in enacting these various sections of the Higher Education Act defining "eligibility" or allied terms, made it abundantly clear that accreditation was only one of several elements. Whether or not in the *administration* of the law equal concern for the responsibility of the state has been observed, is, I suppose, a matter of judgment and observation. We wish to clearly establish our respect for the responsibilities of the states and to acknowledge the important role that has been played by imaginative and innovative administrators in some of the states. We wish such an attitude could be found in all fifty states, but such has not been the case.

THE MONDALE EXEMPTION

Just as some states have been reluctant to accept their respective responsibilities, so too the same can be said for some accrediting agencies. The denial of access to public area vocational schools to accreditation fully justified the exemption from accreditation achieved by an amendment to the Higher Education Act in 1972 by the distinguished Senator from Minnesota, Walter F. Mondale, which can be found in Section 438 (b). Unfortunately, there is a great deal of confusion and misunderstanding about the Mondale exemption; what it does and what it does not do.

The Mondale exemption is just that; it exempts a certain class of schools from the requirement of being accredited because those schools had no access to accreditation. It does not, in our opinion, exempt any class of schools from the authority of the State government pursuant to Sections 435(b)(2) 435(c)(2) or Section 1201(a)(2) which states that the institution "is legally authorized within such state to provide a program of education beyond secondary education." We presently think there is ample authority for the administrators of these programs of student financial aid to require as a condition of "eligibility" of an institution to have two concurrent but independent judgments; one from the states and one from the accrediting agencies. Lacking either, an institution does not satisfy the definition of eligibility.

However, if the administrators of the program feel that the statutory language cited gives them insufficient authority, then we most vigorously suggest that the authority of the state to oversee and supervise in their capacity to regulate and license educational institutions both proprietary and tax-exempt, should be enhanced, embellished and reinforced, by additional language to Sections 435, 1201, and 491.

To further expand the Mondale exemption of 438(b) to include private vocational schools as well as public vocational schools would deny the USOE and the Congress the benefits of the system of dual, concurrent and independent judgments. Indeed it would repose entirely the decision for eligibility solely in the hands of the State Agencies.

It may be the judgment of this Subcommittee that accreditation itself should be eliminated as one of the elements of eligibility. We suggest that that is a separate issue from what we perceive to be the need for a continuation of the system of two separate, but concurrent, independent judgments.

NECESSITY FOR TWO CONCURRENT BUT INDEPENDENT JUDGMENTS

Although we have only limited access to information or statistical data concerning the problems in the administration of the Guaranteed Student Loan Program, we do suggest that a qualitative analysis on a state by state basis indicates the efficacy of having this dual judgment system. With regard to proprietary schools, where either element has been lacking, there have been more serious problems. We repeat, where either element (state authority or accreditation) has been lacking, there have been problems.

We believe that the USOE can confirm the following analysis with their data. For example, in New York and in California, proprietary institutions with a student population manifesting a high default ratio under the Guaranteed Student Loan Program, had a number of "eligible institutions" which, while licensed or regulated under well-administered state laws, were institutions that were *excepted* from the accreditation requirement, because at the time, the institutions allegedly had no access to an accrediting agency. Conversely, there have been a number of examples of institutions in such states as Texas, Louisiana, Mississippi, Georgia, and Alabama, where, although the institutions were accredited, there was no state law authorizing the institutions to offer the program of education. Here again were institutions having student bodies with extremely unfavorable default ratios under the Guaranteed Student Loan Program. We suggest this supports our argument in favor of the necessity for state regulation as well as some other independent judgment. Currently, that judgment under the statutes has been by the accrediting agencies. There is of course the three letters of transfer Rule which is applicable only to public and tax-exempt colleges. It may be appropriate to establish some alternative to accreditation but if that is the decision of the Subcommittee, we urge that it clearly be that and no more. The system of two concurrent but independent judgments should be preserved.

ACCREDITATION AS IT IS PRESENTLY PRACTICED

My colleague Mr. Hart, Executive Secretary of the AICS Accrediting Commission, stands ready to respond to particular questions that members and staff of the Subcommittee may have with regard to our accreditation procedures. In summary, those procedures have been published and are available to the public, pursuant to the Criteria issued by the Commissioner of the USOE. They have been periodically reviewed by the USOE and the Commissioner's Advisory Committee on Accreditation. We have been informed by the Commissioner that they are in conformity with the Criteria as they previously existed, and we look forward to having them measured by the newly established Criteria which were only recently published governing the recognition of Accrediting Agencies.

The Accrediting Commission for AICS was established in 1952. In 1956 it was designated by the Commissioner of the USOE as a "nationally recognized accrediting agency" pursuant to PL 82-550 in subsequent legislation. From its outset, the judgmental body, and by that I mean the commissioners themselves and not the staff, has included "public members."

One of the criticisms leveled against accreditation by critics is the allegation that such a body is self-serving and self-accrediting. Although the older and more established accrediting agencies are in the process of flirting with the idea of non-peer members of an accrediting commission, we have more than twenty years of successful experience with outsiders serving in an equal judgmental capacity. Another innovation of our Accrediting Commission is the adoption of a policy of proration of refunds when students withdraw from school. The minimum standards of the formula are explicitly set forth in this *Supplement to the Criteria*.

The problem of refund is often discussed as only one involving proprietary institutions. Actually, there are many non-proprietary colleges and universities that have very simple refund policies. Those policies are of "no refunds." While our policy may not be perfect, and our suggested minimum formula may be subject to disputation, at least we have adopted both a policy and a formula, which is more than can be said for the so-called "traditional" educational community.

Accreditation is a complex mosaic of continuing judgments and relationships. It is not a "hallmark" stamped upon an institution for all time. It is a privately administered system of privately adopted standards and procedures. There are well-intentioned persons who in their endeavor to achieve worthwhile purposes would preserve the form of accreditation while denying its substance and dynamism. Such an example is H.R. 11927 introduced by Representatives Bell and Pettis. This is a well motivated measure which in our opinion uses the wrong agency at the wrong point in time to find out things which either the state or federal government probably should rightly know if it is to continue to fund programs of student financial aid. Most of the very worthwhile suggestions that H.R. 11927 would insert into the criteria of an accrediting agency, more properly are a function of either state licensure of institutions or the federal program post-audit authority of 438(a). Our position is that if the Congress wishes to continue to utilize accreditation as one of the elements of eligibility, then let it remain accreditation. Of course refunds and advertising are already a part of our Criteria.

Implementation of program post-audit authority requires a candid recognition of the function of a particular program. We suggest that there is a general lack of candor in identifying the purposes of the several programs of student financial aid, which in our opinion, are not all identical in thrust or support. Title IV contains a number of programs generically styled as student aid. However, there are programs in which the institution is but an incident of the student's discretion such as the BOG or the GSL. On the other hand, there are programs such as the NDSL, CWS, and SEOG in which the student is but an incident of the institution's discretion to dispense its government subsidized largess. Further, there are programs of obscure intent such as the State Scholar Incentive Grants which, while democratically administered in some states to provide assistance to all students to attend any institution meeting the definition of eligibility under Title IV of the Higher Education Act, offers the possibility that in one or more states they may be used in a particular state to preserve some sort of elitism or perpetuate little enclaves of privilege. Then there are the Veterans Cost of Instruction Grants as well as the other institutional increments authorized by Title IV. Supposedly, these are payed by the Federal Government to the institution because of the institution's estimated increased cost of instruction by obligating itself to enroll certain classes of students who allegedly would cost more to educate than others. Certainly if these payments are justified, they should be denominated for what they are and their cost effectiveness should be established on a post-audit basis. These should be payments under a contract.

The principle for such a post-audit system was established in 1972, when Congress amended the guaranteed Student Loan Program to provide the USOE with authority pursuant to Section 438(a) to fiscally audit an institution, to establish standards of administrative capability, and to suspend, condition, or terminate the eligibility of an otherwise eligible institution. It is at this point in time, and through such a federal system in conjunction with utilization of state authority, that we feel the intentions of the Bell-Pettis legislation are best implemented.

LOSS OF ELIGIBILITY

Theoretically, the instant that any element of eligibility, be it state authority or private accreditation, ceases to obtain, eligibility should terminate. Additionally, though unimplemented, Congress gave to the Commissioner of the USOE at its request in 1972 the authority to condition, suspend or terminate the eligibility of an otherwise eligible institution. This authority is found in Section 438(a) of Title IV. Hopefully, the regulations implementing this two year old authority will be issued soon. As a legislative recommendation, we would hope that this authority would be expanded to include at least all programs of student financial aid, and not limited merely to that of the Guaranteed Student Loan Program.

Quite reasonably one might ask, if eligibility contains at least two concurrent but independent judgments, one from the state and one generally from the private accrediting agency; if both judgmental bodies are doing their job effectively and responsibly, what need be there for this post-audit authority reposed in the USOE to condition, suspend or terminate the eligibility of an otherwise eligible institution? The answer lies in the fact that neither the state nor the private accrediting agency is the disbursing agent or the administrator of any of the programs of student financial aid under Title IV. Only the USOE has available to it the facts concerning a particular program, whether that program be GSL, BOG, SEOG, CWS, or NDSL. We do not administer the program, and we can only rely upon the facts as disclosed to us by the USOE. For example, during 1973, particularly, there were a number of news stories which attributed just about all of the problems under the Guaranteed Student Loan Program to defaults by students enrolled in proprietary schools. Since we do not administer the program, we have no evidence as to the source of these stories or the authority for such disclosures. Happily, since approximately the first of the year, statistical information has been made available to the public by the Division of Insured Loans of the USOE with regard to defaults under the Guaranteed Student Loan Program. The facts are rather interesting. They have also destroyed some assumptions of those who would criticize education in proprietary institutions.

For example, many people confuse the Federally Insured Student Loan Program (FISL) with the Guaranteed Student Loan Program (GSL). As we know, FISL is but one increment of GSL, the other increment is that which is administered by the State Guarantee Agencies. Statistics released by the Division of Insured Loans show that the total number of loans in default and the total dollar volume of loans in default is greater for the loans administered by the State Guarantee Agency than the total number of loans in default and the total dollar volume of loans in default under FISL. That statistical data, peculiarly within the knowledge of the USOE, must be read with testimony given before this Subcommittee last year by Dr. Donald Payton, then President of the National Council of State Loan Guarantee Agencies. Dr. Payton testified on July 26, 1973 before this Subcommittee (page 100) that only between 5 and 8% of the funds administered by the State Guarantee Agencies go to students in vocational schools. If the funds do not go to students in vocational schools, then obviously they are going to students in the traditional public and private collegiate institutions. One need not belabor the obvious, or quantitate the unnecessary, to conclude on the basis of these two sets of facts, that not all of the problems of defaults under the Guaranteed Student Loan Program can be attributed to students enrolled in proprietary schools, or the decisions of either state regulatory agencies or the private accrediting agencies. These are facts *peculiarly reposed in the USOE* and are appropriate for action by the USOE pursuant to the authority given to the USOE more than two years ago pursuant to Section 438(a). We hope that before too long, the regulations implementing this authority will be announced. We do not seek to abdicate our responsibilities, but rather we seek the necessary support to contribute to the success of the administration of the program.

ACCREDITATION WITHDRAWAL BY AICS

Often, the critics of accrediting agencies equate due process with undue delay. We suggest that the activities of AICS in the fifteen months immediately after the passage of the Education Amendments of 1972, illustrate that an accrediting agency, when provided with definitive data by the USOE, justifying concerns about the GSLP at any particular institution, can act responsibly, with alacrity, and with efficacy. During the period marked by the enactment of the Education Amendments of 1972 in June of that year through September of 1973, accreditation was withdrawn from twenty-one institutions by AICS. These were final decisions, with all rights of appeal having been made fully available and publication of the action including communication to the USOE and concerned state officials. In all but a few schools, these withdrawal actions were related directly to the financial stability of the institution, and the administration of the Guaranteed Student Loan Program. Accreditation has been withdrawn for cause from an additional 16 schools since September of 1973, or a total of 37 in the past two years.

This does not include a number of other institutions which during the same period were issued as *show cause* letters resulting in hearings about that institution's financial stability and its administration of the Guaranteed Student Loan Program. In some cases, initial orders of suspension or revocation were issued, but subsequently vacated, either on appeal or upon showing substantial remediation of the previous situation. In most cases, this has resulted in substantial amounts of refunds of tuition, to either students or lending institutions which has substantially reduced the amount of delinquency or default claims subject to the Federal Insurance of the program.

To accomplish these decisive actions, expeditiously but with full observance of "due process", we found it necessary to amend the Bylaws of the Corporation, provide for the establishment of a Review Board, amend the *Criteria of the Accrediting Commission*, send teams of field auditors to visit the institutions, hold formal hearings before the full commission with an opportunity for the institution to appear, establish a review board, appoint members to serve on it, and to hold timely hearings for the appeals. All of this was accomplished in approximately fifteen months. It began with information about the loan program, brought to our attention by officials of the USOE. We think our activities illustrate that when provided with definitive data, an accrediting agency can respond with alacrity and efficacy to the situation.

Parenthetically, I would note that for our activities during that period, and for those schools from which accreditation was withdrawn, there was no court action brought against us by reason of any claim of lack of due process with the procedures which we instituted and under which the withdrawal was accomplished. Since this initial activity during 1972 and 1973, we have continued to take negative actions resulting in the withdrawal of accreditation from institutions.

SUED—$4.5 MILLION LAWSUIT

As the result of the refusal of AICS to continue the accreditation of five institutions which underwent a change of ownership control in 1973, we have now been subjected to a Temporary Restraining Order by the U.S. District Court in San Antonio, Texas, vacating our judgment of suspension, and reinstating the accreditation of the five institutions. We are also defendants in a damage claim for four and a half million dollars. By reason of the TRO reinstating the accreditation of the five institutions, the USOE has reinstated the eligibility of the institutions. The present status of the suit is that trial on the preliminary injunction has been delayed by stipulation of the parties, and the plaintiff schools have agreed to file the requisite financial statements whereby the Accrediting Commission may have a basis for expressing a judgment on the financial stability of the institutions and the degree to which payment of tuition refunds due students have been made. The defense of this lawsuit has cost our Accrediting Commission thousands of dollars in legal fees, with no expectation of a reimbursement from a private foundation, the USOE or the Congress. Nonetheless, it is our intention to vigorously defend this suit, and to attempt to maintain our published *Criteria* which have had the approval of the USOE. We do look forward to the day that the USOE will have published regulations permitting it to do directly what it is now doing indirectly through our accrediting agency and at our expense.

WHERE DOES THE BUCK STOP

The determination of eligibility, whether it includes the element of accreditation or some other "council of wise men" requires courage to make decisions and the will to defend those decisions publicly, be it in the courts, in the political arena, or in the news media. Obviously, a private accrediting agency, with limited resources, cannot defend a series of lawsuits without courting bankruptcy. Similarly, however emotionally tinged the efforts of the institution may be, there are times when hard decisions must be made denying accreditation, if accreditation is to be a viable element of eligibility.

The critics of the accrediting agencies claim that the agencies' insistence upon due process necessarily involves "undue delay". It requires more than a modicum of self-discipline to endure the innuendos of the investigative media who somehow feel privileged to have detailed knowledge of the confidential internal procedures which we understand to be an inherent part of due process. However, it is interesting to note that in two situations the media refused to underwrite our possible legal liability in return for public disclosure of our internal procedures which could lead to withdrawal of accreditation.

The cry that the public has a right to know is not unique to accreditation. From international diplomacy, to rule making by the federal regulatory agencies, the reformers have, from time to time demanded "open decisions openly arrived at." Such has even been suggested, and sometimes attempted by the committees of the Congress. We do not have the fiscal resources to pioneer jurisprudence in this area. However, if the Committee feels there is a statutory solution which can conserve the rights of the institution, protect the accrediting agency from legal liability, and yet provide information to the public at some stage earlier in the proceedings than that of a "final decision." We would welcome such legislation. We do not have the resources to establish it by a litigation.

ALTERNATIVES TO ACCREDITATION OR ADDITIONAL CRITERIA WITH RESPECT TO ELIGIBILITY

Whether or not accreditation should remain as one of the elements of eligibility is a political decision beyond our capability. We do suggest that at all costs the Committee retain the tri-partite system of at least two concurrent, but independent judgments to *establish* eligibility with a *post-audit*, watch-dog authority, reposed in a third body to condition, suspend or terminate the eligibility of an otherwise eligible institution if it is not measuring up to the purposes of these particular programs for which it has been made eligible. We would urge both the implementation of the present authority of the USOE to "de-eligibilize" institutions pursuant to Section 438(a) and expand such authority to embrace at least all programs of student financial aid.

With regard to the necessary element of state authority to license an institution to offer a program of education, we suggest that the present language is sufficiently explicit. If further encouragement is necessary to the states to assume their respective responsibilities with regard to the regulation and licensure of all educational institutions, we suggest that it best be accomplished by enhancing and embellishing the language of Section 435(b)(2); Section 435(c)(2); or Section 1201(a)(2). The language of 438(b) is an exemption rather than an authorization.

With all due respect to the sincerity and the dedication of the authors of the second Newman Report, "National Policy and Higher Education," we suggest they too misunderstand that accreditation is only one of the elements of eligibility, rather than the determinant of eligibility (see page 63 and recommendation number 7 at page 108). At the risk of being too charitable, we suggest that the proposal for a "national procedure for determining eligibility based primarily on an institutional disclosure statement" begs the question. The determination of eligibility and its withdrawal, necessitates definitive judgments which do in fact discriminate. The important thing is that the discrimination be solidly founded and not capricious. The vague standard suggested by the well-intentioned authors of the second Newman Report at page 108 ignores the fact that some group of people must make definitive decisions defensible to third parties under our system.

We look forward with interest, to the proposal which we understand will be suggested in Dr. Harold Orlans' final report on "Private Accreditation and Public Eligibility". Although we have seen an advance draft of this report, we are under a stricture not to quote or discuss its content publicly.

We wish to restate our understanding and our position that accreditation is only one of a number of elements of eligibility. Possibly perhaps, within that element of eligibility, the Committee may come up with some alternative such as the three letters of transfer system which is presently utilized as an alternative to accreditation for colleges and universities. Such a proposal in no way diminishes the responsibility of the states to license or regulate or authorize institutions to offer programs of education.

If the Committee entertains fears that accrediting agencies have neither the financial resources nor the will to defend litigation brought against them as the result of denials of accreditation or withdrawals of accreditation, it might wish to consider reposing in some other body, possibly, perhaps, the USOE, a sort of supra-equity power, to permit an institution which claims to have been unfairly denied access to accreditation, or to have been wrongly stripped of accreditation, a means to satisfy the accreditation element by an external decision in lieu of the accreditation which the institution has either lost or been denied. Again, this would not be an alternative to eligibility, but merely an alternative to that element of eligibility which is accreditation, and it would only be available after the institution has either been denied accreditation or has been stripped of it.

While there is a superabundance of the critics of accreditation as an element of eligibility, we suggest there would be a paucity of volunteers to serve on this equity supra-body who would be ready to stand in judgment and personally be responsible for the decisions with regard to institutions which have either been denied accreditation or have been stripped of accreditation. Nonetheless, such a proposal could relieve accrediting commissions of threats of personal liability and the accrediting agencies of serious legal expenses. It might, but we doubt it, open the door to innovation so dear to the hearts of accreditation's critics.

Whatever alternative may be suggested, we reiterate our suggestion that the Committee maintain the tripartite system of two independent and concurrent judgments leading to eligibility with the post-audit authority of de-eligibilizing when it is evident that an institution lacks the capacity to perform its stated mission within the terms of the particular federal program.

CONCLUSION

No matter how sophisticated new assessment techniques may be, at the bottom line there still remains the fact that some group of persons must make decisions which will contribute to the denial of, the granting of, or the withdrawal of institutional eligibility. We suggest that no one group of people or particular individuals is especially endowed with the capability of always making the correct decision. That is why we have a Review Board. We do suggest that the statutes contemplate a synergistic result in reliance upon state authority, accrediting agencies and the USOE's post-audit authority. Rather than eliminating accreditation as an element of eligibility, we would suggest that if necessary, the authority of the states be enhanced and embellished, and the authority of the USOE be implemented.

We urge that it is inadvisable to establish any single system of controls, be it federal, state or privately administered. We hope that this Subcommittee will not lose sight of the fact that careful consideration is required in defining the appropriate federal role, and the extent of direct government intervention that is permissible and compatible with our traditionally independent, diverse, pluralistic, and autonomous educational system. Whether it be accreditation or some other "national procedure for determining eligibiilty" which may use "new assessment techniques," we suggest that decision still must be made by fallible men. In substituting one aggregation of fallible men for another, we are reminded of the observation by Milton writing "On the New Forcers of Conscience": "The new presbyter is but an old priest writ large."

EXHIBIT 1

STATE OF MICHIGAN,
FERRIS STATE COLLEGE,
BIG RAPIDS, MICH.

Re: Business school transfers.
To: Selected business colleges.
From: Robert L. Hitch, Director, Business Education.
Date: May 4, 1971.

The School of Teacher Education at Ferris State College has recently had the opportunity of working with some of your graduates. Because of your interest in encouraging capable graduates to continue their education after leaving your institution, we thought you would be interested in some information we have recently compiled regarding business college transfers who are presently in our Business Teacher Education program.

The enclosed profile suggests that the 52 *business college* transfers, comprising 26 percent of our enrollment in Business Education, are performing at a very acceptable level. Indeed, over 25 percent are making an excellent record for themselves on this campus.

This study substantiates the fact that we can expect a good performance from the students you have been recommending for continued education. As a result, we will be happy to correspond with any students whom you may recommend.

Enclosure.

Ferris State College, School of Teacher Education, business education student profile

Total students enrolled	198
Number who transferred from business colleges	52
Number of business colleges from which students transferred	27

Ferris State College CHPA's[1] of transfer students (doesn't include transfer grades):

	Percent
Below 2.00	4
2.00–2.25	25
2.26–2.50	16
2.51–3.00	28
Above 3.00	27

ACADEMIC ACHIEVEMENT OF FERRIS STATE COLLEGE BUSINESS EDUCATION; GRADUATES FOR 1966–68

(By Robert L. Hitch, Director of Business Education)

THE PROBLEM

The "opportunity school" philosophy of Ferris State College no doubt results in a fairly high degree of heterogeneity within its student population—heterogeneity in terms of academic ability and past educational experience. It is understandable that educators working in such an environment would be curious concerning the characteristics of such a student group. The purpose of this investigation, therefore, was three-fold:

1. To identify educational backgrounds of business education graduates of Ferris State College,
2. To determine something of the nature of their academic achievement at Ferris State College, and
3. To compare the findings of this study with those of a similar study made in 1966 of business education graduates for 1958–1965.

THE PROCEDURE

The data utilized in this study were obtained from the transcript of the 150 graduates for the 1966-1968 period.

The first phase of the research identified the type of program or institution from which the graduate transferred to the business education program at Ferris

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[1] Cumulative honor point average.

State College. The following classifications were employed in making the analysis:

1. Those who entered the program as Ferris freshmen,
2. Those who transferred from a terminal Ferris program,
3. Those who transferred from other institutions exclusive of business colleges,
4. Those who transferred from the School of General Education at Ferris,
5. Those who transferred from degree programs at Ferris,
6. Those who completed degree programs at Ferris and subsequently entered the teacher education program,
7. Those who transferred from business colleges.

In a few instances students were subject to more than a single classification. Where this was the situation, they were placed in the classification wherein they had earned the greater amount of credit.

As a second phase of the study, transcripts were analyzed in terms of credit earned in the following areas: 1. Business subjects; 2. Liberal-education subjects; 3. Professional-education subjects; 4. Directed teaching.

In the process of transcript analysis it was noted that approximately 40 percent of the work had been taken in the area of business, approximately 40 percent in the area of liberal education and the remainder had been in the areas of professional-education courses and in directed teaching. The only exception was in the business-degree group which was "heavy" in the business area.

The third phase of the investigation required the computation of honor point averages for each group in terms of business subjects, liberal-education subjects, professional-education subjects, and directed teaching. All grades, whether earned at Ferris or not, were included in computing averages.

THE FINDINGS

Table I, Page 4, presents in summary form the information obtained from the transcripts. It will be observed that business college transfers produced more teachers than any other source. More than one-fourth of the graduates in business education transferred from business colleges. This represents better than a 100-percent increase over the 1966 study. As will be noted, the smallest number of graduates came from the group that received degrees in business and completed the requirements for certification. This was also the case in the 1966 study.

Grades in Business Subjects.—Students who entered the program as transfers from business colleges earned the highest grades in business subjects. Ferris terminal transfers earned the second highest grades in business subjects. The poorest grades in business subjects were earned by transfers from the school of General Education at Ferris.

Grades in Liberal Education.—The terminal Ferris transfers achieved better grades than any other group in the area of liberal education. It is interesting to note, however, that the range is only .27 for this group and that the performance in liberal education was considerably below what it was in business. Transfers from Ferris' four-year programs were the poorest performers in liberal education.

TABLE I.—GRADE AVERAGES OF 150 FERRIS BUSINESS EDUCATION GRADUATES FOR 1966–68 BY AREAS OF STUDY

Sources of students	Percent	Business subjects	Liberal education	Professional education	Directed teaching	Total rank	Final rank
1. Entered as freshmen	9	2.63	2.51	2.59	3.17	17	4
1966 study	14	[1]2.80	2.62	2.67	3.33	10	2
2. Terminal Ferris transfers	12	2.70	[1]2.54	2.55	[1]3.72	7	1
1966 study	22	2.64	2.49	2.62	3.43	13	4
3. Transfers from other institutions	24	2.67	2.44	2.63	3.50	10	3
1966 study	16	2.42	2.38	2.46	3.06	22	6
4. Transfers from Ferris School of General Education	8	2.33	2.27	2.20	3.25	24	7
1966 study	11	2.31	2.21	2.41	3.05	28	7
5. Transfers from Ferris 4-year programs	15	2.47	2.21	2.42	3.24	24	6
1966 study	17	2.59	2.43	2.63	3.50	12	3
6. Degrees in business	3	2.66	2.43	2.05	3.50	18	5
1966 study	6	2.32	2.38	2.44	3.50	18	5
7. Transfers from business colleges	29	[1]2.82	2.52	2.55	3.38	10	2
1966 study	14	2.52	[1]2.72	[1]2.71	[1]3.58	7	1

[1] These figures are high for these areas of the program.

Grades in Professional Education.—Transfers from other institutions were the best achievers in the area of professional education. The range for the groups was .58. Students with degrees in business were extremely poor performers in professional education being considerably below the level of their counterparts identified by the 1966 study.

Grades in Directed Teaching.—Terminal Ferris transfers excelled in the area of directed teaching by a wide margin. The range within the various sources was .55. The great majority of terminal Ferris transfers were women who came from the executive secretarial program in the School of Business. In almost all instances these student teachers taught some or all classes in the secretarial skills area. This might suggest that business skills are easier to teach than business information.

Comparisons.—As a means for identifying the most capable group of graduates (in terms of the seven sources of students) the various sources were ranked in performance as compared with each other. Thus the business college transfers were ranked number one in business subjects, number two in liberal education, number three in professional education and number four in directed teaching. Adding these rankings gave this group a total rank of ten points which was the second best of all groups, being surpassed only by the terminal Ferris transfer group.

As may be seen from an analysis of Table I, transfers from other institutions ranked third, entering freshmen ranked fourth, degrees in business ranked fifth, transfers from Ferris four-year programs ranked sixth and transfers from the Ferris School of General Education ranked last.

The following listing in rank order with total rank points presents the findings in a more comprehendable manner:

Terminal Ferris transfers	Ranked 1st with 7 points.
Business college transfers	Ranked 2d with 10 points.
Transfers from other institutions	Do.
Entering freshmen	Ranked 4th with 17 points.
Degrees in business	Ranked 5th with 18 points.
Ferris 4-year program transfers	Ranked 6th with 24 points.
Ferris general education transfers	Do.

It is obvious that the first three sources are providing Ferris with its more academically talented graduates.

The following listing was taken from the 1966 study.

Business college transfers	Ranked 1st with 7 points.
Entering freshmen	Ranked 2d with 10 points.
Ferris 4-year program transfers	Ranked 3d with 12 points.
Terminal Ferris transfers	Ranked 4th with 13 points.
Degrees in business	Ranked 5th with 18 points.
Transfers from other institutions	Ranked 6th with 22 points.
Ferris general education transfers	Ranked 7th with 28 points.

The following listings compare the final ranks of the seven sources for the 1966 and 1971 studies:

Sources	1966	1971	1966 and 1971
Business college transfers	1	2	3
Entering freshmen	2	4	6
Ferris 4-yr transfers	3	6	9
Terminal Ferris transfers	4	1	5
Degrees in business	5	5	10
Transfers from other institutions	6	2	8
Ferris general education transfers	7	6	13

SUMMARY

The more significant findings may be summarized as follows:

1. The findings of the 1966 study together with those of 1971 reveal that Ferris' most academically talented graduates came from the business college group.

2. The next best group of graduates were transfers from terminal Ferris programs. The great majority of these came from the executive secretarial program in the School of Business.

3. Entering freshmen constituted a good source of achievers for the program in business teacher education.

4. The least attractive group, academically speaking, came from the School of General Education.

RECOMMENDATIONS

The findings of this investigation seem to warrant the following recommendations:

1. Program promotion should be focused on encouraging business college students—those recommended for further education—to enter the Ferris business education program.
2. Program promotion should give more attention to encouraging graduates of Ferris terminal programs to consider a career in teacher education.
3. More consideration should be given to encouraging high school graduates to enter the program as freshmen.
4. There is a need for continuing research in the area of identifying sources of students for the Ferris program in business education.

EXHIBIT 2

CERTAIN CHARACTERISTICS OF FERRIS STATE COLLEGE BUSINESS EDUCATION GRADUATES FOR 1958–65

(By Robert L. Hitch, Director of Business Education)

THE PROBLEM

The "opportunity school" philosophy of Ferris State College no doubt results in a fairly high degree of heterogeneity within its student population—heterogeneity in terms of academic ability and past educational experience. It is understandable that educators working in such an environment would be curious concerning the characteristics of such a student group. The purpose of this investigation, therefore, was three-fold:

1. To identify educational backgrounds of business education graduates of Ferris State College,
2. To determine something of the nature of their academic achievement at Ferris State College, and
3. To determine the extent of their initial success in the teaching profession.

THE PROCEDURE

The majority of the data utilized in this study were obtained from the transcripts of the 189 graduates for the 1958–1965 period.

The first phase of the research identified the type of program or institution from which the graduate transferred to the business education program at Ferris State College. The following classifications were employed in making the analysis:

1. Those who entered the program as Ferris freshmen.
2. Those who transferred from a terminal Ferris program,
3. Those who transferred from other institutions exclusive of business colleges,
4. Those who transferred from the School of General Education at Ferris,
5. Those who transferred from degree programs at Ferris,
6. Those who completed degree programs at Ferris and subsequently entered the teacher education program.

In a few instances students were subject to more than a single classification. Where this was the situation, they were placed in the classifications wherein they had earned the greater amount of credit.

As a second phase of the study, transcripts were analysed in terms of credit earned in the following areas: 1. Business subjects; 2. Liberal-education subjects; 3. Professional-education subjects; 4. Directed teaching.

In the process of transcript analysis it was noted that approximately 40 percent of the work had been taken in the area of business, approximately 40 percent in the area of liberal education and the remainder had been in the areas of professional-education courses and in directed teaching. The only exception was in the business-degree group which was "heavy" in the business area.

The third phase of the investigation required the computation of honor point averages for each group in terms of business subjects, liberal-education subjects, professional-education subjects, and directed teaching. All grades, whether earned at Ferris or not, were employed in computing averages.

As a fourth phase of the study, comparisons were made of administrators' ratings of first-year teachers.

THE FINDINGS

Table I, Page 4, presents in summary form the information obtained from the transcripts. It will be observed that terminal Ferris programs produced more teachers than did any other sources. More than one-fifth of the graduates in business education transferred from a terminal program. The greatest number of transfers came from the executive-secretarial program and the next largest number transferred from the program in higher accounting. As will be noted, the smallest number of graduates came from the group that received degrees in business and completed the requirements for certification.

Grades in business subjects.—Students who entered the program as Ferris freshmen achieved the highest grades, 2.60, in business subjects. Terminal Ferris transfers constituted the second best group in terms of grades received in the area of business. It might be observed that in both instances students were sure of an interest in business and one group was also sure of an interest in teaching at the time they initiated their collegiate experience. They apparently were not confronted with the necessity of "finding themselves" as were members of some of the other groups. This is to suggest fairly high motivation factors for these groups which excelled in grade averages. Several students in these groups held scholarships by virtue of good academic records in high school and later at Ferris.

TABLE I.—GRADE AVERAGES OF 189 FERRIS BUSINESS EDUCATION GRADUATES FOR 1958-65 BY AREAS OF STUDY

Sources of students	Percent	Business subjects	Liberal education	Professional education	Directed teaching
1. Entered as freshmen	14	2.80	2.62	2.67	3.33
2. Terminal Ferris transfers	22	2.64	2.49	2.62	3.43
3. Transfers from other institutions	16	2.42	2.38	2.46	3.06
4. Transfers from Ferris School of General Education	11	2.31	2.21	2.41	3.05
5. Transfers from Ferris 4-yr programs	17	2.59	2.43	2.63	3.50
6. Degrees in business	6	2.32	2.36	2.44	3.50

According to Table I, those graduates who transferred to business education from the Ferris School of General Education did the poorest academic work in the area of business. Students with degrees in business were only slightly better, grade wise, than the general education transfers.

Liberal Education.—There seems not to be a very satisfactory explanation for this keeping in mind they were initially attracted to business colleges and apparently were more pragmatically oriented than other groups, especially the transfers from the Ferris School of General Education who had the poorest average with 2.21.

Professional Education.—For purposes of this study the directed teaching experience was not included as a part of professional education. In most instances, it was a full-time teaching experience and represented as much credit as all professional courses combined. (A few 1958 and 1959 graduates took directed teaching on less than a full-time basis.) Separate review seemed to be justified for directed teaching.

Practically the same average as that achieved by the same group in the area of liberal education. The freshmen group ranked second again with an average of 2.67 being not far below the business college group.

Directed Teaching.—Ranked in second place with 3.50's are found the business degree group and the transfers from four-year programs. Transfers from the Ferris School of General Education had the lowest grades in directed teaching with an average of 3.05 followed very closely by transfers from other institutions with an average of 3.06.

Effectiveness as first-year teachers.—One measure of a teacher-education program's effectiveness may be found in evaluations of first-year teachers as provided by school administrators.

In most instances the evaluation form was completed by the principal. It was assumed that he was more qualified than any other person to make the evaluation. Administrators rated the teachers on a six-point scale as follows: poor, 1; fair, 2; average, 3; good, 4; very good, 5; excellent, 6.

Figure 1, Page 7, reveals administrators' evaluations for business education graduates of 1958 through 1964. As is indicated by the figure, those graduates who entered the program as transfers from terminal Ferris programs received the highest rating as first-year teachers. It should be observed, however, that five of the groups were separated by only three-tenths of a point on the value scale of six. Viewed another way, the terminal-transfer group received the highest ratings on six of the thirteen professional traits.

Those graduates who transferred in from other institutions, junior colleges and universities, received the lowest administrator evaluations. They were quite low when compared with the other groups—especially the transfers from Ferris terminal programs. Transfers from other institutions received the lowest ratings of all groups on eleven of the thirteen traits.

FIGURE 1.—SCHOOL ADMINISTRATORS' EVALUATIONS OF 1ST-YR. FERRIS BUSINESS EDUCATION GRADUATES FOR 1958–65[1]

[Evaluations are in terms of a perfect rating at 6]

Sources of students	Freshmen	Terminal Ferris transfer	Transfer other institution	Transfer Ferris General Education	Transfer Ferris 4-yr. program	Degrees in business
Knowledge of subject	4.5	[2] 5.1	(3.6)	4.7	4.7	5.0
Preparation of lessons	5.0	4.8	(4.1)	4.8	4.6	[2] 5.3
Classroom management	4.5	4.8	(3.2)	[2] 4.9	4.8	4.5
Ability to work with pupils	4.5	4.7	(3.6)	[2] 4.8	[2] 4.8	4.3
Ability to discipline	4.0	4.8	(3.1)	4.8	4.9	[2] 6.0
Ability to work with colleagues	5.4	[2] 5.6	(4.0)	5.3	5.0	5.3
Ability to motivate	4.6	4.9	(3.7)	4.8	4.8	[2] 5.3
Use of teaching aids	4.6	[2] 4.7	(3.6)	4.6	4.0	4.0
Ability to communicate	4.6	[2] 5.0	(3.9)	4.6	4.5	4.6
Language skills	4.6	[2] 5.2	3.8	4.7	4.7	5.0
Self-confidence	4.6	4.8	(3.4)	4.8	4.4	[2] 5.0
Dependability	[2] 5.6	5.5	(4.1)	5.0	5.2	5.3
Personal appearance	4.6	[2] 5.7	4.9	5.1	4.8	(4.3)
Average for group	4.7	[2] 5.0	(3.8)	4.8	4.7	4.9

[1] Administrator evaluations were not available for the 1965 graduates as they had not yet been evaluated.

[2] Highest rating. Figures in parenthesis are lowest rating.

SUMMARY

The more significant findings may be summarized as follows:

1. During the period of 1958 to 1965 the Ferris terminal programs provided a larger number of business-education graduates than any other group.

2. Transfers from Ferris four-year programs provided the second largest group of business-education graduates and together with the Ferris freshmen group provided approximately forty per cent of all business-education graduates.

3. The smallest transfer group came from the Ferris School of General Education.

4. The Ferris freshmen group placed second in academic achievement with a first in business subjects and second in both liberal and professional education.

5. The least attractive group from the standpoint of academic achievement was found in the instance of the transfers from the Ferris School of General Education.

6. In terms of administrators' evaluations, transfers from terminal Ferris programs were most successful in their first year of teaching.

The findings of the investigation seem to warrant the following recommendations:

1. Program promotion should give more attention to informing high school students of the Ferris program.

2. More attention should be given to the possibility of securing increased numbers of transfers from Ferris terminal programs.

3. There is need for continuing research in the area of identifying the sources of students for the Ferris program in teacher education.

Mr. HICKS. The next witnesses are Mr. William Fowler, executive director of the National Home Study Council; and Mr. William Goddard, executive director, National Association of Trade and Technical Schools. They are accompanied by Mr. Bernard H. Ehrlich. Would you identify yourselves to the reporter, please, each of you.

STATEMENT OF WILLIAM A. GODDARD, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF TRADE AND TECHNICAL SCHOOLS; ACCOMPANIED BY BERNARD H. EHRLICH, ATTORNEY FOR THE NATIONAL HOME STUDY COUNCIL AND THE NATIONAL ASSOCIATION OF TRADE AND TECHNICAL SCHOOLS

Mr. GODDARD. I'm William A. Goddard of the National Association of Trade and Technical Schools.

Mr. FOWLER. I'm William A. Fowler of the National Home Study Council.

Mr. EHRLICH. I'm Bernard H. Ehrlich of the National Home Study Council and the National Association of Trade and Technical Schools.

Mr. HICKS. Gentlemen, proceed in any way that you desire.

Mr. GODDARD. Thank you, Mr. Chairman. The National Association of Trade and Technical Schools (NATTS) is a voluntary nonprofit organization of accredited private residence schools offering job-oriented specialty training in trade and technical occupations. The membership of NATTS includes both proprietary and nonprofit schools. Although all member schools must be accredited, an accredited school need not apply for membership.

The Accrediting Commission of NATTS is the accrediting agency listed by the U.S. Office of Education as the nationally recognized accrediting agency in the trade and technical school field, and is the only accrediting agency so listed by the U.S. Office of Education.

The broad purpose of NATTS is to establish and maintain sound educational standards and ethical business practices for its member schools, which schools complement, rather than compete with, tax-supported facilities.

I will be available for questioning and will be pleased to answer, to the best of my ability, any questions this committee may have relating to the trade and technical school field.

However, it is the primary aim of this statement to acquaint the committee with the role of trade and technical schools in our educational system and to explain the nature of the accreditation process.

Several studies have been made of vocational schools, including trade and technical schools, which furnish substantial information concerning the role of trade and technical schools.

In 1969, a fairly exhaustive study was published by A. Harvey Belitsky entitled "Private Vocational Schools and Their Students: Limited Objectives, Unlimited Opportunities." The author is on the staff of the W. E. Upjohn Institute for Employment Research, and the study was financed over a 15-month period by the Ford Foundation.

In June 1970, the author published a condensed version of his studies in this field, at the invitation of the Bureau of Higher Education, Office of Education, U.S. Department of Health, Education, and Welfare.

References herein to Belitsky's studies are directed to the June 1970 condensed report.

Also, Mr. Chairman, I want to leave with you a copy of the full study of the book itself.

Mr. HICKS. Thank you very much.

[The material referred to follows:]

Private Vocational Schools

Their Emerging Role in Postsecondary Education

A. Harvey Belitsky

THE W. E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH
ESTABLISHED 1945

STAFF PAPER

Private Vocational Schools

Their Emerging Role in Postsecondary Education

By

A. HARVEY BELITSKY

June 1970

The W. E. Upjohn Institute for Employment Research
300 South Westnedge Avenue
Kalamazoo, Michigan 49007

The W. E. Upjohn Institute for Employment Research

THE INSTITUTE, a privately sponsored nonprofit research organization, was established on July 1, 1945. It is an activity of the W. E. Upjohn Unemployment Trustee Corporation, which was formed in 1932 to administer a fund set aside by the late Dr. W. E. Upjohn for the purpose of carrying on "research into the causes and effects of unemployment and measures for the alleviation of unemployment."

One copy of this bulletin may be obtained without charge from the Institute in Kalamazoo or from the Washington office, 1101 Seventeenth Street, N.W., Washington, D.C., 20036. Additional copies may be obtained from the Kalamazoo office at a cost of 25 cents per copy.

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The Author

A. Harvey Belitsky joined the staff of the Upjohn Institute in 1964. His special interests include employment problems and vocational education. He received a Ph.D. degree in economics from Harvard University in 1960; his B.A. degree was obtained from The University of Wisconsin and his M.A. degree from Syracuse University. Dr. Belitsky taught economics at Rutgers University and Lawrence University. He also served as a consultant to the U.S. Department of Labor.

His books include *The Job Hunt*, coauthored with Dr. Harold L. Sheppard, and *Private Vocational Schools and Their Students*. He is collaborating with Dr. Irving H. Siegel on a book that will deal with the future of employment. He has written articles on apprenticeship and training.

Preface

This paper was prepared at the invitation of the Bureau of Higher Education, Office of Education, U.S. Department of Health, Education, and Welfare. It is a slightly revised version of a paper which will appear in a collection of studies to be published in 1970 by the Bureau of Higher Education under the title *Trends in Postsecondary Education*. The paper is based on research made possible through a grant awarded to the Upjohn Institute by the Ford Foundation. Complete findings on the research were published in 1969 in the book *Private Vocational Schools and Their Students: Limited Objectives, Unlimited Opportunities*.

The views expressed do not necessarily reflect policies or positions of the W.E. Upjohn Institute for Employment Research.

A. Harvey Belitsky

Washington, D.C.
March 1970

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PRIVATE VOCATIONAL SCHOOLS

Their Emerging Role in Postsecondary Education

Introduction

This study undertakes to clarify the role of private vocational schools as one of the institutions providing postsecondary education. The principal topics include: estimated number of schools and students, types of occupational training, nature of instruction, student characteristics, and regulation and accreditation of the schools.

The general status of vocational education is initially considered in order to explain the still inadequate awareness and acceptance of the private vocational schools and their students. Finally, in a brief concluding section, a proposal to enhance the equality of educational opportunity is offered.

Status of Vocational Education

Despite steadily growing enrollments in colleges and universities, the potential number of students who can benefit from instruction in private vocational schools will continue to be exceptionally large. The promising future of the schools is based upon at least two major conditions. First, only about one-fourth of all high school students are enrolled in a vocational education program. Second, less than 25 percent of all high school students ultimately complete a four-year college program.

The expected advances in the use of private vocational schools are grounded in the demonstrated capacity of the schools to motivate and train students with various needs and interests for specific occupational objectives. Young persons lacking vocational qualifications, private employers, and several government agencies have shown the greatest appreciation of the schools' capabilities and have also made the most use of them. In general, however, educators and school counselors have been uninformed about and even antagonistic to the private vocational schools.

Since high school graduates and nongraduates will continue to enroll in vocational schools, it is important to consider some of the plausible reasons why key persons involved in advising such students have disregarded the schools. Insights into this paradox arise from (a) the current emphasis upon college education, and (b) the contrasting objectives of vocational schools and colleges.

Dr. James B. Conant and other highly respected educators have been critical of the many parents who ignore the aptitudes and interests of their children and pressure them to pursue some form of higher education. Quite understandably, the school counselors typically reflect a community's interest in maximum college enrollment. The number of counselors in most schools is, moreover, inadequate, and the counselors who are available are unfamiliar with the needs of and the opportunities for students not headed for college. The net result of these conditions is that educational resources are not efficiently used, and numerous cases of personal frustration and disillusionment occur.

Dr. John W. Gardner, while strongly favoring equality of educational opportunity, has stressed the desirability of providing superior vocational education, and he has accented the possibilities and importance of achieving "excellence" in all forms of education and work.

The preeminence given to college enrollment by educators, counselors, and parents is naturally related to the academic program and, perhaps even more, to the ultimate types of employment that college graduates are likely to secure. The liberal arts curriculum is an important educational component of colleges and universities. Such a curriculum may be a preparation or requirement for an occupationally oriented program, but students may also select the subjects for their intrinsic value. Even undergraduate curricula that lead directly to employment (e.g., business administration or engineering) require some general education subjects. In contrast, vocational schools, particularly the private ones, offer hardly any subject matter that is not directed toward the ultimate requirements of a job; and the courses, usually less than two years in length, are not concluded by the conferring of a degree. The term "course" is used by private vocational schools to represent the entire training program. Comparatively few of the private vocational schools are actually able to confer an associate degree under current regulations in their states. Pennsylvania, for example, began considering private vocational schools' eligibility to award an associate degree in 1969.

Private vocational schools differ from colleges and universities not only in subject matter taught but also in financial structure. Colleges and universities, whether private or public, are overwhelmingly nonprofit, while the great majority of private vocational schools are profitmaking, or more accurately, profitseeking organizations.[1] This need not be noted *per se* as a distinguishing characteristic between the two types of institutions, but it has in fact been raised as an additional factor of comparison. However, it appears appropriate to focus less attention on the financial structure of an educational or training institution and, instead, to examine more closely student needs, the nature of the programs, and the competence of instructors.

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[1] A decision by a judge of the U.S. District Court for the District of Columbia might lead to the establishment of many more proprietary colleges. The Middle States Association of Colleges and Secondary Schools, Inc., was found: (1) to be in restraint of trade, and (2) to deny constitutional due process by requiring applicants for accreditation to be nonprofit institutions. See Civil Action No. 1515-66.

This approach could lead to a clearer differentiation between the two types of institutions. Perhaps it would then be concluded that colleges and vocational schools are "noncompeting groups," to be evaluated on the basis of their comparative excellence in instructional programs and the performance of their graduates on the job. (Colleges and universities should naturally be supported in their search for excellence in those fields of study that are not directly related to ultimate employment.)

Estimated Number of Schools and Students

The first serious attempt to estimate the number of private vocational schools and to consider their programs was made in 1964. Drs. Clark and Sloan estimated that there were more than 35,000 schools, with an enrollment exceeding five million.[2] However, these figures included schools offering both vocational and leisuretime training programs.

The author's study on which this paper is based disclosed a total of 7,000 private schools limited to vocational education and serving approximately 1.5 million students during 1966.[3] These conservative estimates were divided into the following four broad occupational categories:

Occupational Category	Schools		Students	
	Number	Percent	Number	Percent
Total	**7,071**	**100.0**	**1,563,556**	**99.9**
Trade and Technical . . .	3,000	42.4	835,710	53.4
Business	1,300	18.4	439,500	28.1
Cosmetology	2,477	35.0	272,470	17.4
Barber	294	4.2	15,876	1.0

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[2] H.F. Clark and H.S. Sloan, *Classrooms on Main Street* (New York: Teachers College Press, 1966), p. 4.

[3] *Private Vocational Schools and Their Students: Limited Objectives, Unlimited Opportunities* (Cambridge: Schenkman Publishing Company, Inc., 1969), p. 9.

The above figures were based upon responses to a written questionnaire by 1,200 schools and upon supplemental information provided by associations of the four types of schools. The number of cosmetology and barber schools was exact because their respective associations conduct an annual census. In 1966 the United Business Schools Association had a membership of 500 schools offering secretarial, accounting, business administration, and other courses; and it maintained a record of 800 nonmember business schools. The National Association of Trade and Technical Schools (NATTS), established in 1965, had only 200 member schools, but the Association's mailing list was several times that number.

As shown above, the majority of students attended trade and technical schools. Added to the enrollment in business schools, these two categories accounted for 80 percent of all students. However, the cosmetology and barber schools are quantitatively important because they train most of the persons entering such occupations.

The data also revealed that the average annual enrollment in each type of occupational training school was rather small. Less than 5 percent of the schools enrolled more than 2,000 students annually. The average business school enrolled less than 350 students annually; this exceeded the average enrollment in the trade and technical schools by 20 percent and was much greater than the typical enrollments in the cosmetology and barber schools.

One explanation for the small size of most of these schools is related to the importance assigned to practical, problem-solving aspects in the courses. It follows that only a short period of time is spent in large classrooms, and the costs of adequate space and machinery in shop and laboratory settings necessarily limit the size of a school building and its staff. Second, the schools are widely distributed geographically—often either located in cities with less than 100,000 persons or situated within sections of a large metropolitan area. A third reason is that the trade and technical schools (the primary focus of attention in this study) tend to train for single or related occupations. Nevertheless, collectively, the large number of highly specialized trade and technical schools offer the greatest diversity of courses.

Although most private schools operate on a year-round basis and offer both day and evening sessions, the capacity for expanding enrollment appears to be sizable. The possibilities for growth are primarily due to the underutilization of staff and facilities in afternoon and evening classes. According to a survey of NATTS members, the schools were operating at only 60 percent of their capacity. On the basis of this estimate, all trade and technical schools could accommodate an additional one-half million students.[4]

Some of the salient features of the home study or correspondence schools must be at least noted, even though such schools undoubtedly merit a much more extensive survey.

The National Home Study Council, with a membership of 120 accredited schools, is the principal association for these schools. (Some of the schools have vocational school divisions similar to those considered in this study.) Accreditation is provided by the Council's Accrediting Commission, which is recognized by the U.S. Office of Education. There are also approximately 500 nonaccredited correspondence schools. Unlike the members of the National Home Study Council, the nonaccredited schools do not always require examinations and frequent "exchange" between school and student.

Since homes serve, in effect, as a substitute for classrooms, the number of correspondence schools is much smaller than the estimated total of private vocational schools, and the enrollments are considerably larger. One international correspondence school has had more than 100,000 students during each of the past five years. The National Home Study Council members have students in every state, and their total enrollment is equal to that of the private vocational schools. When the enrollments in nonaccredited schools and the Armed Forces are added to those of the Council, the aggregate figure is five million students.

The total number of subjects taught by correspondence is about 600 and includes vocational subjects, high school courses, and college-level courses. Students can naturally hold jobs and learn at their own desired pace.

Types of Courses Offered in Trade and Technical Schools

The variety of occupational courses found in private trade and technical schools reflects the unique ability of these schools to respond to the training needs of many industries and professions. About 230 different occupational courses were offered in the more than 500 trade and technical schools examined in this study.[5] Since most schools offered more than one course, the total number of courses provided by these schools was nearly 1,500.

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[4] *Ibid.*, p. 46.
This estimate excludes the unused capacity in business, barber, and cosmetology schools.

[5] *Ibid.*, pp. 13-14.

The six major vocational categories (based on the number of courses in each category) were:

Vocational Category	Number of Courses
Total	**851**
Auto Maintenance and Related Services	127
Data Processing	185
Drafting	131
Electronics	159
Medical Services	154
Radio–TV	95

Less than 60 percent of all reported courses are included in the above categories. The three largest areas of training (data processing, electronics, and medical services) are acknowledged to be growth fields in most manpower projections. The other three categories cannot necessarily be designated "traditional," because drafting may be allied with the electronics industry and a radio-TV course may emphasize the repair of color television sets. Even automobile repair offers numerous employment openings for competent workers.

Other important training fields include courses in commercial arts; construction; fashion design; needle trades; shoemaking; food preparation, processing, retailing, and service; interior design and related services; machine shop; major and minor appliance repair and servicing; photography; printing; promotion, sales, and related services; tool and die design; various forms of transportation and traffic management; and welding. Finally, courses in aerospace engineering technology, waste and wastewater reconversion, gardening, hotel-motel operation, and many others though listed by only a few schools, are areas of growing job opportunities.

Not all of the courses (see list in Appendix) are equivalent to generally accepted occupational designations. However, occupational breakdowns are necessarily somewhat arbitrary, and personal differences are evident with respect to vocational interest, ability, and willingness to devote the required time to what is regarded as ideal, well-rounded training.

The great variety of occupational training is matched by a wide diversity in course length and, quite expectedly, in tuition. Tuition ranged from about

$100 to $4,500 and averaged nearly $1,200 annually for the courses offered by the members of NATTS in 1966.

Aspects of Instruction

The instruction in private vocational schools is highly specialized, with a view to the final employment objective. Therefore, the schools maintain close but informal contacts with employers. Course content is readily modified to reflect pertinent changes that are reported to school officials by employers. Decisions to add improved facilities can also be made rapidly and directly. This differs from the delays often encountered by public schools and colleges that must seek approval from school boards or legislatures.

Training is provided in a job-simulated setting. Visual aids and operative equipment of all types are typically more important than textbooks. Classroom or lecture instruction is usually followed immediately by supplementary training in the school shop, laboratory, kitchen, or "department store" in order to demonstrate the practical application of theoretical concepts. Most schools also arrange student visits to plants and offices. Modest home assignments are required for many courses because only those theoretical concepts which are relevant to the performance of a job are taught.

The emphasis upon the functional phases of instruction represents more than an adaptation to the actual requirements of an ultimate job. It also reflects the minimum level of formal education that is required for admission to the schools. A substantial percentage of all schools accept students who have not completed high school. At least 10 percent of the business schools offer a minimum of one course that calls for less than a high school education for admission. Approximately 40 percent of the trade and technical schools provide at least one course that does not require completion of high school. Educational requirements for admission to barber and cosmetology schools are lower still; less than 10 percent of these schools require high school graduation or its equivalent.[6]

The private vocational schools have also devised methods for motivating many of their students who found the general education program in high school unstimulating. Hence, course materials are presented in short, sequential units which reinforce previously learned materials. A sense of achievement is experienced by the typical student because he is informed of his progress on a continuing basis rather than at the conclusion of a term or semester.

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[6] *Ibid.*, pp. 28-32.

Another significant aspect of the instruction offered by many of the schools is the provision of training at various levels of accomplishment within related occupations. For instance, in one school students may shift their concentration from a radio-television repair course to a more advanced course in electronics technology, or vice versa, depending on their demonstrated aptitudes and interests. Some schools even provide courses in different occupational fields and permit students to alter their specialty course. These options are, of course, advantageous to students who would otherwise fail their course or else be compelled to accept the dissatisfactions of employment in an occupation that is not their first preference.

A final feature of the instruction is the result of course selectivity among the generally self-financing students. Since the students select occupational courses which they prefer, they are much more likely to be motivated than they would be in the absence of such free choice. Concomitantly, the previously mentioned components of the instruction have such a strong appeal for the students that they contribute *per se* to rather high student motivation. Dr. David P. Ausubel is authoritative in supporting this type of instruction:

> Psychologists have been emphasizing the motivation- learning and the interest-activity sequence of cause and effect for so long that they tend to overlook their reciprocal aspects. Since motivation is not an indispensable condition for short-term and limited-quantity learning, it is not necessary to postpone learning activities until appropriate interests and motivations have been developed.[7]

Evaluation: A Continuing Need

The ultimate value of instruction in private vocational schools is demonstrated both through the graduates' success in finding training-related positions, and in their occupational progress during their working careers. Only partial assessments of student achievement have, however, been made.[8] In any case, since schools change their curricula and teaching staffs or simply fail to adopt important changes initiated by other schools, a continuing means of evaluating the training schools must be available.

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[7] "A Teaching Strategy for Culturally Deprived Pupils," in Miller and Smiley, eds., *Education in the Metropolis* (New York: The Free Press, 1967), p. 293.

[8] Dr. Kenneth B. Hoyt's Specialty Oriented Student Research Program at the University of Maryland is virtually the only source for such findings.

Accreditation or evaluation of most private vocational schools is voluntary, as it is for all types of education in the United States. States do establish hygienic rules for barber and cosmetology schools; and state and federal laws determine the scope of training for a limited number of technical occupations, including certified pipewelder, commercial pilot, ship radio officer, and tractor-trailer driver. Generally, however, business, trade, and technical schools are evaluated by private accrediting organizations.

Accrediting teams evaluate a school on the basis of its success in achieving the purposes and objectives the school has set for itself. About 500 out of an estimated 1,300 business schools are members of the United Business Schools Association (UBSA), sponsor of a recognized accrediting body which has accredited about 250 schools. Schools that are not accredited by September 1970 will no longer be eligible for active membership. In contrast, only about 10 percent of all trade and technical schools are members of NATTS, which received its accrediting status from the U.S. Commissioner of Education in 1967, two years after the Association's establishment.

A "visiting team" from NATTS or UBSA is the principal effective body for evaluating private vocational schools. The team, consisting of technical specialists (industry representatives, educators, and school owners) who are not affiliated with the school under consideration, verifies the school's claims regarding its courses or programs. A check is made of a school's business practices, including job placement records and student recruitment procedures, especially when the school's recruiting representatives work on a commission basis. Student impressions are secured through random interviews.

A NATTS member school must seek accreditation for any newly acquired affiliate, and an accredited school must apply for evaluation of any new course.

An accrediting body examines graduate placement records at the time of accreditation, upon receipt of detailed annual reports, and at five-year reevaluation intervals. In general, practically all schools provide a placement service for their graduates, and a great majority offer the service "for life." The placement ratio (percentage of a school's graduates placed in jobs by a school) has, however, not been determined with any firm accuracy. Of course, many of the students are indirectly helped by the schools to find jobs: more or less formal sessions are conducted on how to prospect for work, and visits to schools by recruiters from industrial concerns afford students an early and convenient start in job-searching.

School followup of students after graduation is a crucial means of determining the percentage of students who secured training-related jobs and their occupational progress over the years. Most schools follow up their graduates for one year; but only about 20 percent of the schools gather information on their graduates' employment progress after the first year. It would seem, therefore, that private vocational schools–as well as most other educational and training institutions–could improve their followup procedures and, in turn, provide accrediting teams with additional important evidence for evaluating the schools.

In the absence of dependable data on the employment experiences of private vocational school graduates, only indirect and qualified impressions are possible. In the first place, the utilization of the schools under numerous government-financed training programs represents a measure of the confidence placed in the courses, teachers, and managements. Second, close contacts between the schools and employers are likely to ensure the presentation of "relevant" training. Third, graduates recommend the schools to others, and in fact they are a principal source of new students; thus they must have been pleased with the training and employment received.[9]

In addition to the practical advantages of accreditation, such as detached evaluation and suggestions for improving a school's functioning, accreditation draws attention to competent schools and strengthens their competitive position with counselors and prospective students. Also, poor schools may be forced to improve their teaching standards, purchase necessary equipment, and generally raise their capital base.

The importance of voluntary accreditation is especially apparent when it is noted that less than half of all states license the operations of private vocational schools and that a considerably smaller percentage of the states carefully evaluate instructional courses.[10] Principal interests of the regulating states include: financial structure (e.g., requirement to post bond), teacher qualifications, course outlines, adequacy of equipment, student contracts, and advertising claims.

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[9] Belitsky, *op. cit.*, p. 125.
Eighty-five percent of about 1,100 surveyed students gave their schools at least an "average" rating.

[10] "Licensing is nothing more than a permit to do business, having regard generally to safety and commercial standards. Certification, on the other hand, is generally related to curriculum, instructional staff, facilities, etc...." See R. Fulton, "Proprietary Schools," *Encyclopedia of Educational Research*, 4th ed.

In general, the inspection of private schools by most state supervisors is less thorough than that of a NATTS accrediting team. Each state supervisor in even the larger states frequently must oversee a sizable number of schools. New York and possibly a few other states utilize subject specialists in their evaluative inspections when a school introduces a new course. According to New York law, each course must be reevaluated every five years; this is similar to a NATTS provision.

Most of the 20 states that regulate private schools require instructors to have work experience, ranging from two years in Colorado to eight years in Massachusetts, in the vocation that they are teaching. Usually work experience is an alternative to formal education, and no state requires more than a high school education. However, a survey of instructors in the member schools of NATTS disclosed that about 60 percent of the instructors actually had some college education and more than one-third of the total had at least four years of college education.[11] The larger independent schools, plus those operated as subsidiaries of corporations, often pay the tuition of their instructors enrolled part time in college courses that are related to their teaching fields.

Instructors' Roles

It is noteworthy that numerous policies regarding instructors in private vocational schools are still exceptional cases or experiments in other schools. For instance, most private schools consider a sizable number of student failures in one instructor's course, or in several of his courses over time, an indication of the *instructor's* failure.

Instructors in private vocational schools are urged to consider their students as "clients," not "charges." An important financial accountability, therefore, resides with the school and its instructors. The supervisor of a school for electronics technicians once observed that each prospective instructor must be critically evaluated, since the referrals of former students account for at least 50 percent of a school's student body. The schools are convinced that creditable teaching performances can be ensured by making teaching capability the main criterion for reward and advancement; and instructors are not usually given tenure.

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[11] Seven hundred and twenty-six full-time and part-time instructors were included in the 65 schools responding. See E.L. Johnson, *A Descriptive Survey of Teachers of Private Trade and Technical Schools Associated with the National Association of Trade and Technical Schools*, doctoral dissertation submitted to The George Washington University; reproduced in part by Griswold Institute Print Shop, Cleveland, 1967, pp. 57, 70.

A distinctive instructor-student relationship in vocational schools naturally influences the form and manner of instruction in such schools. For example, the instructors at many schools engage in "group teaching on an individual basis." This consists of students proceeding at the same pace in the theoretical part of their course and at different rates of progress in the practical or shop training. Students who are deficient in the theory portion of a course are encouraged to seek aid in frequently conducted review classes.

Shop training, on the other hand, is apparently more readily learned and applied although there are differences in performance levels here, too. It is therefore an instructor's responsibility to circulate freely among individuals or small groups of students.

Small classes and individualized instruction make many of the schools an ideal setting for training both students who failed in secondary schools and persons with a variety of handicaps who are referred by a Vocational Rehabilitation Center. Students with varied capacities surely require instructors who are not limited to a fixed lesson plan. In addition, instructors must be able to accommodate students who are at different stages of progress because students can enroll in many of the courses at frequent intervals (i.e., there is no single starting date).

In view of instructor responsbilities, the typical student-teacher ratio for classroom instruction or lectures is small—at least when compared with the ratios found in the introductory subjects of many colleges and universities. About 60 percent of the NATTS members had a ratio of 24 or fewer students per instructor. Of course, the average ratio is still lower in the shop, laboratory, and machine practice. The majority of the schools assigned 19 or fewer students to an instructor at any given time.[12]

The student-teacher ratio is also significant since teachers often counsel students. Although not licensed to provide guidance, the instructors have to assume the role of guidance counselors to assist students who have been inadequately counseled or not counseled at all while in high school. This is a direct result of the limited number of high school guidance personnel and their equally limited views on postsecondary vocational education. Consequently, many persons who drop out of school, and even many who graduate from high school, have insufficient knowledge of occupational training opportunities and the labor market. A substantial proportion of students are not thoroughly familiar with the courses provided by private vocational schools, or else they learn about the schools through friends attending them, members of their families, newspaper advertisements, or sales representatives of the schools. As a major consequence of these informal lines, many young persons who enroll in the schools are likely to do so with incomplete information on the nature of training, requirements of the occupation they are training for, and the opportunities for advancement.

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[12] Belitsky, *op. cit.*, pp. 82-83.

The counseling continues throughout a course for many students and may involve a fatherly form of encouragement that is not available at home. This includes the provision of extra assistance after class hours to a small group or even to an individual in such subjects as elementary arithmetic and reading.

Student Characteristics and Needs[13]

Since students are the major "consumers" at private vocational schools, it has been in the interest of school administrators and instructors to adjust to student differences in age, educational attainment, ability, and health.

Although the average age of the enrolled students is comparatively young, there have been numerous instances of success in training older persons, both the healthy and those ailing physically or emotionally. The study of NATTS schools disclosed a median age of 20 years for students enrolled in the day sessions; only about 10 percent of the students were 26 or older. The average age of evening students was considerably higher, with nearly two-fifths being 26 or older. Most evening students had been employed full time, and a high percentage of them still found it necessary to work full time during the day while training for a specialty within their occupation, or for a completely different vocation. For both day and evening sessions, the general age range at the NATTS schools during 1965 to 1967 was 17 to 48 years; but some schools even had students who were in their sixties.

Although enrollees in the trade and technical schools are predominantly men, several schools do provide considerable training opportunities for women in such courses as medical and dental assisting, commercial art, and hotel-motel management. The women naturally account for the large majority of students enrolled in business and cosmetology schools.

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[13] It is not known to what extent Negroes and disadvantaged members of other minorities have been enrolled in private vocational schools. Probably most of the Negroes enjoying such opportunities receive financial aid under programs of the Veterans Administration, Vocational Rehabilitation agencies, the Manpower Development and Training Act, and other government agencies. However, in some nonprofit schools, notably the Opportunities Industrialization Center (OIC), Negroes have been the principal beneficiaries. The OIC was organized in Philadelphia, but several of the training centers have been established recently in other cities.

Flexibility of the schools in accommodating students of varied backgrounds and needs is particularly evident with regard to educational preparation. Student bodies include:

1. High school dropouts with no occupational training.
2. High school graduates of a general education program who lack any specific preparation for employment.
3. High school graduates who fail to pass the private schools' aptitude tests in algebra or even arithmetic.
4. Persons preparing for a licensable occupation.
5. College dropouts, or even college students and graduates, desiring an otherwise unavailable course, such as computer programming.
6. Persons for whom the formal education requirement is eased because they have had several years of employment experience but are currently unemployed or finding it difficult, for physical reasons, to remain in their present occupations.

Besides taking account of their students' educational preparation, school administrators adjust the scheduling of courses to the requirements of students. For some courses, new students are enrolled as often as once each week. The majority of schools have four new classes annually, but they may accept students on a monthly basis. Students can also attend either day or evening sessions, and they can choose to attend on a full- or part-time basis. Courses given by members of NATTS ranged from one-half week to 130 weeks. The median for these courses was 40 weeks. Most courses require twice as long when taken on a part-time basis. The option of enrolling in a course on either a full-time or part-time basis and the great variations in course length afford considerable flexibility to students. Finally, practically all trade and technical schools operate at least 48 weeks annually, permitting the ambitious student to complete the already compact course most expeditiously.

After a typical student is enrolled in a private school, his major challenge is having adequate funds to finance all expenses during the period of education. Although empirical data are unavailable, it is likely that students are predominantly from middle-income families where the father is *not* employed in a professional or managerial position. Only a small minority of students attending trade and technical schools can rely upon their parents or personal savings to pay for their entire schooling. For example, more than two-thirds of the students enrolled at a large technical school, which has been granted recognition for transfer of credits to several colleges and universities, are compelled to work on a part- or full-time basis.[14] The school owners' practice of accepting deferred payments is a useful, albeit limited, form of financial assistance that is available in most schools. Under this practice, students may elect to pay their tuition in installments throughout the year rather than in one or two lump-sum payments.

Despite financial pressures, the student dropout rate is only approximately 20 percent in these schools–lower than the dropout rate in most high schools and colleges. This is at least partially due to student selection of courses which satisfy individual vocational interests. Financial problems are the major reasons for student failure to complete courses. The next most important reasons cited–the presence of family problems and securing a full-time job–also suggest the presence of financial difficulties for at least some of the students. School owners report that only a minor percentage of students fail to complete their courses due to lack of ability.

Prospects for Private Vocational Schools

Private vocational schools are likely to experience a consistent growth in enrollments and greater general acceptance as an important training resource for persons who do not attend college. Moreover, the congressional recommendation for use of the schools under provisions of the Vocational Education Act could lead to joint ventures with public high schools.

The types of courses offered in these highly flexible schools will be a function of at least four factors. In the first place, the schools will continue to adapt to those areas of the economy undergoing expansion and innovation. For example, the schools were among the first to offer courses in the allied health fields, computer programming, and commercial flying. Second, and especially within a specific community, the private schools will offer those courses that are either not taught in the public schools or else are unavailable in sufficient number to meet the desires of students. The third factor is the extent to which public schools, and even colleges throughout the country, will decide to subcontract with the private schools for those vocational education courses which they cannot provide for their students. A fourth factor is both the increased corporate subcontracting of training with the schools plus the significant expansion in corporate purchase and operation of the schools. This factor is also likely to have an independent influence upon the general growth of the schools.

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[14] Belitsky, *op. cit.*, p. 106.

The types of courses offered and the educational requirements for admission determine, to a great extent, the nature of the student bodies in the schools. In all probability, the students' average level of formal education has risen faster than the average educational requirement for admission to the schools during recent years. This conclusion is based on the author's study comparing admission requirements with actual qualifications of students. The greater educational preparation of most students could lead more schools to raise the level of sophistication in many of their occupational training courses.[15]

On the other hand, since most trade and technical schools have unused capacity and an interest in enrolling more students, their programs might be broadened to accommodate the large number of people who need initial training, upgrading, or retraining. This would involve accepting more persons with lower educational attainment. The author recommends a government loan-grant program as an equitable means for enabling these persons to attend private vocational schools.

Toward Equality of Educational Opportunity[16]

It would be operationally desirable to have a government loan- grant program for *all* persons seeking employment-related training in private vocational schools. There is, however, a more important reason for universalizing the program–namely, an impressive growth in social concern for and commitment to "free public education."

The goal of equality of educational opportunity must naturally also provide more persons in low-income families the option of securing a college education. Nevertheless, equality (or, more accurately, equity) will not be achieved by placing an exaggerated emphasis upon college preparatory programs in high school. Many students simply lack either the interest or the ability to attend a college or even a junior college. Also, a community college, public technical institute, or area vocational school may not always be available. Even where "free" schools are available, the courses that a prospective student wants may not be offered; or else, the course length and its contents may differ from his preferences.

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[15] Only a minority of trade and technical schools have thus far applied to colleges and actually received partial transfer credits for students desiring to attend college. Business schools may possibly have been more active in this regard.

[16] Belitsky, *op. cit.*, pp. 144-150, for a more detailed discussion.

In view of the free-or heavily subsidized education that is accessible to a sizable and rapidly increasing number of students in universities, colleges, and other public institutions, it would be equitable to improve the opportunities of students who choose to attend private vocational schools. The realistic and economically sound recognition and usage of the private schools could be a major means for expanding the laudable goal of equal educational opportunity.

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APPENDIX

Types of Courses Offered in 544 Reporting Trade and Technical Schools*

Type of Course	Number of Courses
Total	**1,483**
Auto Maintenance and Related Services	**127**
Appraiser—Auto Damage	2
Attendant—Service Station	3
Mechanic—	
Basic and Master	50
Diesel	6
Salesman—Parts Counter	1
Specialist—	
Air Conditioning	8
Automatic Transmission	13
Body and Fender Repair	22
Conventional and Power Brakes	4
Front End and Wheel Alignment	6
Engine Tune-Up	12
Commercial Arts	**61**
Artist—Commercial	31
Consultant—Color	1
Designer—	
Greeting Card	2
Textile	3
Glass Blower—Neon	1
Illustrator—	
Children's	1
Fashion	8
General	11
Letterer	1
Painter—Sign	2

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*A. Harvey Belitsky, *Private Vocational Schools and Their Students: Limited Objectives, Unlimited Opportunities* (Cambridge: Schenkman Publishing Company, Inc., 1969), Appendix to Chapter 2.

Construction	**41**
Building Craftsman—	
Electrician	8
Heavy Equipment Operator and Mechanic	5
Mason	2
Painter	1
Plumber and Pipefitter	3
Steamfitter	1
Structural Iron Worker	1
Cabinetmaker (includes woodworking techniques)	7
"Engineer"—	
Architectural Aide	3
Civil Aide	1
Construction Technician	3
Estimator	3
Maintenance Man—	
Technician	2
Superintendent	1
Data Processing	**185**
Computer Maintenance	23
Computer Programmer	76
Data Processor (includes Keypunch and Tab Operator)	86
Drafting	**131**
Blueprint Reader	6
Draftsman—	
General (includes basic, intermediate, and advanced)	44
Architectural	16
Electro-Mechanical	4
Electronic and Electrical	16
Engineering	13
Mechanical	22
Structural	6
Illustrator—Technical	3
Renderer—Architectural	1
Drycleaning and Laundry	**10**
Drycleaner	3
Helper—Laundry	2
Manager—Drycleaning	2
Presser—Laundry-Factory	2
Spotter	1

Electronics [a]	**159**
Servicer	22
Technician[b]	137
Fashion Design, Needle Trades, and Shoemaking	**63**
Buyer—Assistant	3
Designer—Fashion and Assistant Fashion	12
Dressmaker	9
Fitter	2
Patternmaker and Grader	10
Repairman-Rebuilder—Power Sewing Machine	1
Sewer—	
Needle Trades	9
Power Machine	4
Shoemaker-Shoe Repairman	2
Tailor and Alterer	11
Floristry and Groundskeeping	**14**
Designer—Floral	3
Groundsworker—	
Gardener	2
Landscaper	1
Nursery Worker	1
Retailer—	
Florist	3
Sales Clerk	2
Shopowner	2
Food Preparation, Processing, Retailing, and Service	**25**
Preparation—	
Baker	1
Chef	3
Kitchen Helper	2

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[a] Some of the courses offered in this field include training in data processing. At the other extreme, some might have been more appropriately placed under the less dramatic headings of "Electrical" or "Electricity," but this was impossible to determine from the titles as reported.

[b] Electronics Technician courses prepare for work in a broad variety of occupational settings—including manufacturing plants, laboratories, consulting firms, construction, etc.

Processing—	
Meat Cutter	6
Meat Wrapper	2
Service—	
Dietetics and Food Service Management	2
Waiter	1
Retailing—	
Cashier, Grocery Stocker, and Checker	6
Market Manager	2
Funeral Work	**6**
Embalmer	3
Funeral Director	3
Hotel-Motel Operation	**12**
Maintenance Personnel—	
Executive and House Steward	1
Housekeeping	2
Manager	5
Office Personnel—	
Accountant and Cashier	2
Clerk	1
PBX Operator	1
Industrial Management	**7**
"Engineer"—Time Study	2
Manager—Industrial (industrial management techniques)	5
Interior Design and Related Services	**21**
Designer—	
Interior	10
Furniture	1
Related-Skill Workers—	
Carpet Layer	1
Drapery Maker	2
Linoleum—Tile Floor Layer	1
Slipcover Maker	2
Upholsterer	4
Investigation	**3**
Fire and Explosion	1
General	1
Insurance	1

Jewelry Design and Repair	**13**
Diamond Setter	4
Jewelry Maker and Repairman	2
Watch Worker (includes elementary and advanced; also includes engraving)	7
Machine Shop	**30**
(Includes courses in layout, operation, and inspection, as well as basic machines.)	
Major and Minor Appliance Repair and Servicing	**53**
Technician—Air Conditioning-Refrigeration-Heating	9
Repairman—	
Electric Motor	6
Master Appliance	4
Office Machine	2
Small Appliance	3
Serviceman—	
Air Conditioning	12
Oil Burner	5
Refrigeration	12
Medical Services	**154**
Aide—	
Geriatric	1
Home Health	1
Hospital	2
Institutional	1
Nursing	4
Pediatric	1
Assistant—	
Dental	25
Doctor's Office	3
Laboratory	3
Medical	24
Examiner—Medical Claims	1
Hygienist—Dental	1
Nurse—	
Licensed Vocational	1
Practical	8

Orderly	1
Secretary–Medical[c]	23
Technician–	
Dental	8
Laboratory	9
Medical	13
Optical	1
Technologist–	
Dental	17
X-Ray	6
Performing Arts	**8**
Performer–Dance, Music (includes opera and concert singing); Theater (includes cinema, stage, and TV acting)	6
Dramatist–Radio-TV	1
Speaker	1
Personal Services	**9**
Finishing–Personal	3
Modeling	5
Swedish Massage	1
Photography	**18**
Photographer–	
Commercial	3
Medical	1
Motion Picture	1
Newspaper	1
Portrait	4
Printer-Retoucher–	
Airbrush Technique	1
Colorist	3
Dye-Transfer Printing	1
Negative Retouching	2
Repairman–Camera	1
Printing	**27**
Artist–Graphic	5
Assistant–General Print Shop	1

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[c] Although other listings of office occupations are excluded, an exception is made for *medical secretary* because it is assumed that a principal part of this training leads to technical proficiency.

Letterpress—	
Hand Composition	1
Pressman	1
Linotype Maintenance	3
Linotype Operator	4
Monotype Keyboard and Casting Machine Operator	1
Lithography—	
Lithographer	1
Multilith Operator	1
Offset Cameraman	1
Offset Printing	2
Photolithographer	1
Platemaker	1
Pressman	2
Stripper	1
Silkscreen Technician	1
Promotion, Sales, and Related Services	**21**
Promotion—	
Advertiser	5
Copywriter	2
Market Research	1
Public Relations	1
Sales—	
Auctioneer	2
Merchandising	2
Professional Salesmanship	1
Sales and Management	7
Radio-TV	**95**
Broadcaster	19
Repairman	34
Salesman	2
Technician—	
Communications (includes preparation for FCC license)	39
Color TV	1
Recreation and Sports	**8**
Athletic Trainer	1
Bartender	1

Baseball Personnel—	
Business Manager	1
Scorekeeper (also includes softball scorekeeping)	1
Umpire	2
Farrier (includes some veterinary courses)	1
Gunsmith	1
Tool and Die Design	**54**

(Includes plastic molding courses; also includes both separate and combined courses—i.e., certain schools offer separate courses in tool design and die design, and others combine them with one another and/or with tool and die making.)

Transportation—Air	**47**
Administrator—Aviation Specialist	2
Communications—FAA	6
Flight and Operations Personnel—	
Auxiliary—	
Dispatcher	1
Hostess	6
Instruments	1
Ramp Agent	1
Technician—Airframe Power Plant Mechanic	7
Technician—Radar	1
Pilot	5
Office Personnel—	
Airline Travel Agency	4
International Travel	1
Reservationist	12
Transportation—Freight	**6**
Supervisor—	
Cargo	4
Freight Claim	1
Rate Analyst	1
Transportation—Highway	**7**
Driver—	
Bus	1
Truck—	
Diesel	2
Heavy	1
Straight	1
Tractor-Trailer	2

Transportation–Sea	**11**
Ship Builder	1
Shipboard Personnel–	
Deck Officer–Merchant Marine	2
"Engineer"–Marine	1
Pilot–Merchant Marine	2
Technician–Navigational	2
Underwater Operations Personnel–	
Decompression Chamber Operator	2
Deep Sea Diver	1
Transportation–Space	**2**
Technician–Aerospace Engineering	2
Transportation–Traffic Management	**9**
Traffic Manager	5
Transportation Specialist	4
Waste Reconversion	**1**
Technician–Waste and Wastewater	1
Welding	**54**
Welder–	
General	23
Arc	9
Arc and Acetylene Combination	3
Electric	1
Gas	2
Heli-Arc	6
Oxy-Acetylene	6
Pipe	4

Mr. GODDARD. The author, at the outset, states:

> The expected advances in the use of private vocational schools are grounded in the demonstrated capacity of the schools to motivate and train students with various needs and interests for specific occupational objectives.

The author estimates that there are 3,000 trade and technical schools, with 835,710 students. He points out that the enrollment in each individual school is small as compared to other types of schools, for the following reasons:

> One explanation for the small size of most of these schools is related to the importance assigned to practical, problem-solving aspects in the courses. It follows that only a short period of time is spent in large classrooms, and the costs of adequate space and machinery in shop and laboratory settings necessarily limit the size of a school building and its staff. Second, the schools are widely distributed geographically—often either located in cities with less than 100,000 persons or situated within sections of a large metropolitan area. A third reason is that the trade and technical schools (the primary focus of attention in this study) tend to train for single or related occupations. Nevertheless, collectively, the large number of highly specialized trade and technical schools offer the greatest diversity of courses.

He points out that the variety of occupational courses found in private trade and technical schools reflects the "unique ability" of these schools to respond to the training needs of many industries and professions, and that about 230 different occupational courses were offered in the more than 500 trade and technical schools examined in his study.

As for instruction in these schools, he found that it is highly specialized, with a view to the final employment objective; that the schools maintained close but informal contacts with employers; that course content is readily modified to reflect pertinent changes that are reported to school officials by employers; that decisions to add improved facilities can also be made rapidly; and that this differs from the delays often encountered by public schools and colleges that must seek approval from school boards or legislatures.

He further points out that training is provided in a job-simulated setting, that visual aids and operative equipment are typically more important than textbooks, that classroom or lecture instruction is usually followed immediately by supplementary training in the school shop or laboratory to demonstrate the practical application of the theoretical concepts, that most schools arrange student visits to plants and offices, and that modest home assignments are required because only those theoretical concepts which are relevant to the performance of a job are taught.

As for instructors' roles, he found that each instructor must be critically evaluated, since the referrals by former students account for a substantial percentage of the student body; that the schools are convinced that creditable teaching performances can be insured by making teaching capability the main criterion for reward and advancement; and that instructors are not usually given tenure. He further found the student to instructor ratio to be quite low, with the majority of schools assigning 19 or fewer students to an instructor at any given time.

In conclusion, he found that private vocational schools are likely to experience a consistent growth in enrollments and greater general acceptance as an important training resource for persons who do not attend college; and that the realistic and economically sound recognition and usage of the private schools could be a major means for expanding the laudable goal of equal educational opportunity.

In 1973, Wellford Wilms, of the Center for Research and Development in Higher Education, University of California, Berkeley, published a study entitled "Proprietary Versus Public Vocational Training."

I will endeavor not to duplicate material already developed by Belitsky, but to point out additional factors developed in the Wilms study.

Mr. Chairman, I have with me a copy of the full Wilms study that I want to leave for your records also.

Mr. HICKS. Thank you.

[The material referred to is in the subcommittee files.]

Mr. GODDARD. Wilms develops the concept that proprietary and public postsecondary schools are conceptually (and practically) distinct. The proprietary schools are rooted in the market place. Public schools ultimately depend on the political process. This essential difference determines how each type of school derives its income, allocates resources and, most important, provides vocational training.

He says:

> Proprietary vocational schools' income is related to how well their graduates do in the market place. Most proprietary schools are relatively small, and they base personnel hiring, retention, and promotion largely on performance of tasks dictated by the market. If their students do not get satisfactory jobs, these schools quickly lose their appeal. In short, the proprietary vocational school derives its income through the market mechanism.

In summary, he points out that proprietary schools must meet the needs of their students and prepare them for occupations better than their competitors for any given cost; they must consider signals from output markets to survive; they are characterized by limited objectives and programs; they are single-purpose organizations, to prepare students for successful employment; they recognize that their own success depends largely on the occupational success of their graduates and therefore they select students with a high probability for successful placement; they are characterized by flexible operations to accommodate the needs of students and employers; year-round operations and frequent class starts are the norm; their operations show evidence of market incentives to provide effective training at low cost; the market encourages them to experiment and evaluate new approaches; and their teachers are hired, retained and promoted on their ability to teach, are not given tenure and are evaluated frequently by school management and students.

He then contrasts this situation with that of public institutions which do not depend on their performance in the marketplace, but rather on the political process, and which place less emphasis on job placement.

In conclusion, he found that public and proprietary schools march to different drummers (the public schools to the political process and the proprietaries to the market) and that:

> Proprietary schools need to recruit, train, and place graduates in jobs successfully to get a return on their investments. Consequently, their programs are specific and determined by current labor market and consumer needs. Governed by the profit motive, rather than political survival, the proprietary schools have a built-in incentive to seek out student markets not served by nearby competing public schools.

But for the limitations of time, many more factors could be developed at length to illustrate the need for and the purposes served by private trade and technical schools.

However, for our present purposes, I believe I have demonstrated the useful purpose served by trade and technical schools and the need for such schools as a part of our educational system.

With this background, I would now like to acquaint this committee with the accreditation process as carried out by NATTS—how it works, what it does and the results accomplished.

At the outset, it should be remembered that the accrediting process is purely voluntary. No school need apply for accreditation.

Although the membership of NATTS is composed of accredited schools, an accredited school need not be a member.

The objective of NATTS, as stated in its constitution:

> To promote high educational standards and ethical business practices in the trade and technical field.
>
> To cooperate with local, state and Federal authorities and business, commerce and industry in the maintenance of high standards and sound policies in the field of trade and technical school education.
>
> To develop a national accrediting program for the trade and technical schools on the basis of established Federal standards.

Mr. HICKS. Mr. Goddard, would we lose too much if we asked you to summarize the rest a little bit instead of reading the entire statement? Otherwise, we're not going to get the benefit of asking any questions, I'm afraid.

Mr. GODDARD. Certainly. I'll be happy to.

This represents a summary, but I'll summarize it as best I can.

Mr. HICKS. If you can summarize the summary, then.

Mr. GODDARD. Yes, right.

I do want to point out that accreditation within our definition is primarily a means of assisting private trade and technical schools to become better schools, to assure the public that this is a means of identifying quality education in our type of institution, and also, accreditation within our definition is a means of setting standards of performance for our type of school, standards to which all trade and technical schools can aspire.

We established an accrediting agency through our organization to comply with the requirements of the U.S. Office of Education for recognition of accreditation in establishing eligibility for Federal programs.

The basic steps in the process include an application by a school, strictly voluntary. The school then, through a very elaborate self-evaluation process, examines itself, every department, every facet of the administration. We provide the guidelines for this examination.

After the school has done this and supplied to us a detailed report of its own self-evaluation, the accrediting agency selects a team of expert examiners—people competent in school administration, in private trade, and technical education, and specialists in each occupational area in which the school is providing training.

And then of course, we have with each team a coordinator, a person representing the commission, either a commissioner or a staff person, to give some level of standardization to the quality of the visits and the examinations themselves.

Each team member compares the report of the school with what he finds at the school, and other elements that he examines in the school and prepares a report.

The individual reports are summarized by the chairman of the team and submitted to the commission. In accordance with normal due process requirements, we give the school a summary of the concerns that appear in the report, in order to give the school an opportunity to respond to each of the alleged deficiencies, if some have been found.

And then the entire package is considered by the accrediting commission which meets periodically, four times a year, to consider applications and other matters. In light of the school's announced objectives, the accrediting commission will accredit with or without stipulations, will possibly defer action pending development of new information, or in a few cases giving the school a chance to improve itself in certain areas, or the commission may deny accreditation.

When the accrediting commission makes its decisions, it's an autonomous group, those decisions are not subject to review by the association which sponsors the accrediting program.

There are other specific requirements of accreditation, and I won't go into these details as they are included in the statement, but I do want to point out, very particularly, that every applicant for accreditation or reaccreditation is checked closely with chambers of commerce, Better Business Bureaus, Federal Trade Commission regional offices, other Federal agencies such as the post office, the U.S. Office of Education, both regionally and centrally here in Washington, and consumer protection agencies, and possibly others from time to time.

We check and try to determine from every available source information on schools that apply for accreditation, and also accredited schools that apply for renewal of accreditation.

Any complaints that we receive regarding schools from these sources or from any other sources about schools, whether accredited or not, are checked. We follow through on each compaint we receive from any source, and we try to resolve those complaints.

Mr. HICKS. How large an organization do you have?

Mr. GODDARD. Approximately 450 schools.

Mr. HICKS. How many people are there that are doing this checking?

Mr. GODDARD. You mean involved in the accrediting process?

Mr. HICKS. Yes, sir.

Mr. GODDARD. Several hundred over a period of a year, if the examiners that actually go to the institution are included. Most of these people are volunteers, they are recommended to us by the professional societies or organizations. They're considered to be the experts in the field of trade and technical preparation for occupations.

Mr. PRITCHARD. Might they be members, owners, or people involved in other schools?

Mr. GODDARD. Normally, there has to be at least one owner or proprietor or manager, director, whatever you might call him.

Mr. PRITCHARD. You might have an instructor?

Mr. GODDARD. Normally not instructors.

Mr. PRITCHARD. Not instructors.

Mr. GODDARD. For the occupational competence, we prefer to use employers instead of instructors.

Mr. PRITCHARD. Most of these are members of an accredited organization?

Mr. GODDARD. No, sir. Most of the team members who——

Mr. PRITCHARD. Where do they come from?

Mr. GODDARD. Most of them come from industry, right out of industry.

Mr. PRITCHARD. I see.

Mr. GODDARD. People who are working everyday in the field, actually employing the output of trade and technical schools. We feel that their input is absolutely necessary to the evaluation of the quality of occupational training.

Mr. PRITCHARD. And you just pay their expenses?

Mr. GODDARD. We pay their expenses. Normally, the people will serve as sort of, I guess you'd call it a professional obligation.

Mr. PRITCHARD. Thank you.

Mr. GODDARD. I do want to say in conclusion of my statement that I am here to answer any of your questions; I have not tried to address all of these specific problems that have been encountered by this committee, and I will try to the best of my ability to do that. I do want to help everyone understand that there is a place for private trade and technical schools, that you have a definite understanding about their contributions to society.

Mr. HICKS. Thank you, Mr. Goddard.

[Mr. Goddard's prepared statement follows:]

PREPARED STATEMENT OF WILLIAM A. GODDARD, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF TRADE AND TECHNICAL SCHOOLS

My name is William A. Goddard. I am the Executive Director of the National Association of Trade and Technical Schools (NATTS).

NATTS is a voluntary non-profit organization of accredited private residence schools offering job-oriented specialty training in trade and technical occupations. The membership of NATTS includes both proprietary and non-profit schools. Although all member schools must be accredited, an accredited school need not apply for membership.

The Accrediting Commission of NATTS is the accrediting agency listed by the United States Office of Education as the nationally recognized accrediting agency in the trade and technical school field and is the only accrediting agency so listed by the United States Office of Education.

The broad purpose of NATTS is to establish and maintain sound educational standards and ethical business practices for its member schools, which schools complement, rather than compete with, tax supported facilities.

I will be available for questioning and will be pleased to answer, to the best of my ability, any questions this Committee may have relating to the trade and technical school field.

However, it is the primary aim of this statement to acquaint the Committee with the role of trade and technical schools in our educational system and to explain the nature of the accreditation process.

Several studies have been made of vocational schools, including trade and technical schools, which furnish substantial information concerning the role of trade and technical schools.

In 1969, a farly exhaustive study was published by A. Harvey Belitsky entitled "Private Vocational Schools and Their Students: Limited Objectives, Unlimited Opportunities." The author is on the staff of the W. E. Upjohn Institute for Employment Research and the study was financed over a 15 month period by the Ford Foundation

In June, 1970, the author published a condensed version of his studies in this field, at the invitation of the Bureau of Higher Education, Office of Education, U.S. Department of Health, Education and Welfare.

References herein to Belitsky's studies are directed to the June, 1970, condensed report.

The author, at the outset, states (p. 1):

"The expected advances in the use of private vocational schools are grounded in the demonstrated capacity of the schools to motivate and train students with various needs and interests for specific occupational objectives."

The author estimates that there are 3,000 trade and technical schools with 835,710 students. He points out that the enrollment in each individual school is small as compared to other types of schools, for the following reasons (p. 4):

"One explanation for the small size of most of these schools is related to the importance assigned to practical, problem-solving aspects in the courses. It follows that only a short period of time is spent in large classrooms, and the costs of adequate space and machinery in shop and laboratory settings necessarily limit the size of a school building and its staff. Second, the schools are widely distributed geographically—often either located in cities with less than 100,000 persons or situated within sections of a large metropolitan area. A third reason is that the trade and technical schools (the primary focus of attention in this study) tend to train for single or related occupations. Nevertheless, collectively, the large number of highly specialized trade and technical schools offer the greatest diversity of courses."

He points out that the variety of occupational courses found in private trade and technical schools reflects the "unique ability" of these schools to respond to the training needs of many industries and professions: and that about 230 different occupational courses were offered in the more than 500 trade and technical schools examined in his study.

As for instruction in these schools, he found that it is highly specialized, with a view to the final employment objective: that the schools maintain close but informal contacts with employers: that course content is readily modified to reflect pertinent changes that are reported to school officials by employers: that decisions to add improved facilities can also be made rapidly: and that this differs from the delays often encountered by public schools and colleges that must seek approval from school boards or legislatures.

He further points out that training is provided in a job-simulated setting: that visual aids and operative equipment are typically more important than textbooks: that classroom or lecture instruction is usually followed immediately by supplementary training in the school shop or laboratory to demonstrate the practical application of the theoretical concepts: that most schools arrange student visits to plants and offices: and that modest home assignments are required because only those theoretical concepts which are relevant to the performance of a job are taught.

As for instructors' roles, he found that each instructor must be critically evaluated, since the referrals by former students account for a substantial percentage of the student body: that the schools are convinced that creditable teaching performances can be ensured by making teaching capability the main criterion for reward and advancement: and that instructors are not usually given tenure. He further found the student to instructor ratio to be quite low, with the majority of schools assigning 19 or fewer students to an instructor at any given time.

In conclusion, he found that private vocational schools are likely to experience a consistent growth in enrollments and greater general acceptance as an important training resource for persons who do not attend college: and that the realistic and economically sound recognition and usage of the private schools could be a major means for expanding the laudable goal of equal educational opportunity.

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I will endeavor not to duplicate material already developed by Belitsky, but to point out additional factors developed in the Wilms study.

Wilms develops the concept that proprietary and public postsecondary schools are conceptually (and practically) distinct. The proprietary schools are rooted in the marketplace. Public schools ultimately depend on the political process. This essential difference determines how each type of school derives its income, allocates resources and, most important, provides vocational training.

He says (p. 8):

"Proprietary vocational schools' income is related to how well their graduates do in the marketplace. Most proprietary schools are relatively small, and they base personnel hiring, retention, and promotion largely on performance of tasks dictated by the market. If their students do not get satisfactory jobs, these schools quickly lose their appeal. In short, the proprietary vocational school derives its income through the market mechanism."

In summary, he points out that proprietary schools must meet the needs of their students and prepare them for occupations better than their competitors for any given cost; they must consider signals from output markets to survive; they are characterized by limited objectives and programs; they are "single purpose" organizations, to prepare students for successful employment; they recognize that their own success depends largely on the occupational success of their graduates and therefore they select students with a high probability for successful placement; they are characterized by flexible operations to accommodate the needs of the students and employers; year-round operations and frequent class starts are the norm; their operations show evidence of market incentives to provide effective training at low cost; the market encourages them to experiment and evaluate new approaches; and their teachers are hired, retained and promoted on their ability to teach, are not given tenure, and are evaluated frequently by school management and students.

He then contrasts this situation with that of public institutions which do not depend on their performance in the marketplace, but rather on the political process, and which place less emphasis on job placement.

In conclusion, he found that public and proprietary schools march to different drummers (the public schools to the political process and the proprietaries to the market) and that (p. 82):

"Proprietary schools need to recruit, train, and place graduates in jobs successfully to get a return on their investments. Consequently, their programs are specific and determined by current labor market and consumer needs. Governed by the profit motive, rather than political survival, the proprietary schools have a built-in incentive to seek out student markets not served by nearby competing public schools. . . ."

But for the limitations of time, many more factors could be developed at length to illustrate the need for and the purposes served by private trade and technical schools.

However, for our present purposes, I believe I have demonstrated the useful purpose served by trade and technical schools and the need for such schools as a part of our educational system.

With this background, I would now like to acquaint this Committee with the accreditation process as carried out by NATTS—how it works, what it does and the results accomplished.

At the outset, it should be remembered that the accrediting process is purely voluntary. No school need apply for accreditation. Although the membership of NATTS is composed of accredited schools, an accredited school need not be a member.

The objective of NATTS, as stated in its Constitution, is:

"To promote high educational standards and ethical business practices in the trade and technical field.

"To cooperate with local, state and Federal authorities and business, commerce and industry in the maintenance of high standards and sound policies in the field of trade and technical school education.

"To develop a national accrediting program for the trade and technical schools on the basis of established Federal standards."

Accreditation is intended to be a means of assisting good private trade and technical schools to become better schools; a means of assuring the public of high quality trade and technical education offered by private schools; and a means of setting standards to which all trade and technical schools can aspire.

The Board of Directors of NATTS has established an Accrediting Commission of nine members, five representatives of trade and technical schools and four outstanding persons from outside the private school field. The Accrediting Commission has authority to determine whether or not individual schools meet the standards set by NATTS. Each school is judged in the light of its announced objectives. Accreditation carries no intent of standardization of either objectives or school operation.

To initiate the accrediting process, an applicant school makes a study of its own operation according to an outline provided to it. Facts and material evidence are assembled into a Self-Evaluation Report, copies of which are provided for study by the Visiting Team and the Accrediting Commission. This is part of the whole evaluation process by which schools are stimulated to continuous improvement. This Report and the accreditation process is expected to induce an institution to reassess its objectives, its resources, its program, procedures and achievements. The preparation of the Self-Evaluation Report requires a detailed and searching examination of the entire operation of the school—its objectives, its study program, its course content, and its business practices.

After receipt of the Report, the Commission arranges for a Visiting Team of knowledgeable persons to visit the school personally. The Team normally includes a member familiar with the management, administration and business aspects of private school operation; an educator familiar with trade and technical school instructional methods and educational processes; a subject-matter specialist for each major field offered; and a representative of the Commission.

The Visiting Team verifies data in the Self-Evaluation Report, seeks additional data and in general develops a clear understanding of how well the school meets each of the standards. The Team is free to confer with instructors, other school employees, students, graduates and employers of the graduates in making an assessment of conditions, courses of study, and effectiveness of the school.

Each member of the Visiting Team prepares a factual report of those phases of the visit for which he is responsible and submits it to the Team Leader, who integrates the report in proper sequence, caps it with a summary of strong and weak points and submits it to the Secretary who reproduces the Report and supplies each member of the Commission with a copy.

Following the Team visit, a File Review Committee prepares a File Report describing its findings. A copy goes to the applicant school which has a period to comment on the factual elements of the File Report and to submit any additional written materials it desires to place before the Accrediting Commission in response to the Report.

The Accrediting Commission meets periodically to review all the evidence with respect to each applicant. An applicant school, upon request, is given an opportunity to make an oral presentation before the Commission.

In light of the school's announced objectives and the Standards, the Accrediting Commission will accredit, accredit with stipulations, defer action, or deny accreditation. The Commission's decision is not subject to review by any other organ of NATTS.

The accreditation process is carried out under general policies which may be summarized as follows:

1. Each school is judged in the light of its overall picture reflected against its announced objectives and the Standards. Strengths in some respects may be allowed to compensate for noncrucial and correctable weaknesses in others.
2. Only private schools with a definite trade and technical education objective are eligible for accreditation.
3. The Commission reserves the right to limit the scope of its review to classes of schools for which it feels adequate standards have been developed and for which it has competence to review.
4. Upon accreditation, a tentative time is set for a complete re-examination, within five years. New schools, schools with mild but remedial weaknesses, rapidly changing schools and schools with recent changes of ownership will be re-examined at shorter intervals.
5. Schools must notify the Secretary immediately of changes in ownership, management, contractual affiliations with other schools, additions or major changes of courses, and items that could substantially affect the school's policies, staff, curricula, reputation, legal or financial status.
6. Accreditation does not automatically transfer with changes in ownership.
7. Annual reports are required from all accredited schools. The Commission may seek continuing evidence of compliance with standards and may request special reports from some or all accredited schools.
8. New non-related courses in accredited schools must be evaluated within three to six months after classes are in session.
9. Schools automatically become eligible for NATTS membership when accredited, but are not required to be NATTS members.
10. A directory of accredited schools is published annually and supplements showing newly-accredited schools are issued after each meeting of the Commission.

As a further step in the accrediting process, every applicant for accreditation or re-accreditation is checked with the local Better Business Bureau, the local Chamber of Commerce, the regional office of the Federal Trade Commission, the Consumer Protection Bureau, the State Department of Education and/or the state approval agency and the Post Office Department. Every application for renewal of accreditation is checked with the state loan agency.

Any complaints received from any of these sources, as well as from any other source whatsoever, whether with reference to an accredited school or not, is promptly investigated under complaint procedures established by the Commission.

I have referred to Standards which a school is required to meet in order to be accredited. Time does not permit a detailed statement of the Standards, but it should suffice for the present to point out that detailed Standards have been established covering the following general categories: educational objectives, courses and curricula, faculty, size of staff, student services, student success and achievement, admission policies and practices, enrollment agreements, tuition policies, refunds and cancellation, student recruitment, field agents, physical facilities, management, financial responsibility and self improvement programs.

Appellate procedures have been established affording due process to any school which wishes to appeal from adverse decision.

Needless to say, all information obtained in the accrediting process is highly confidential.

In conclusion, I may say that I have not attempted to address myself, in my statement, to any specific problems which may be of interest to this Committee. I repeat that I am ready and willing, to the best of my ability, to answer any questions the Committee may have with respect to the operation of trade and technical schools. The main purpose of my statement, which I believe I have carried out, is to acquaint this Committee with the importance in our educational system of available trade and technical schooling, affording training opportunities for employment which are not available elsewhere; and to point out to this Committee the purpose of NATTS, through the accreditation process, to make available to students quality education in the trade and technical fields, with specific emphasis on fraining directly related to successful trade and technical employment opportunities.

Mr. Hicks. Mr. Fowler?

STATEMENT OF WILLIAM A. FOWLER, EXECUTIVE DIRECTOR, NATIONAL HOME STUDY COUNCIL

Mr. Fowler. Mr. Chairman, I will try to highlight from my prepared statement, based on some of the questions you have already asked and some of the areas you have an interest in, in the interest of time, and also, I will be happy to answer any questions you have.

The National Home Study Council is located at 1601 18th Street NW., Washington, D.C. It is a nonprofit educational association of some 158 accredited private home study schools. The accrediting commission of the council is the accrediting body listed by the U.S. Office of Education as the nationally recognized accrediting agency in the private home study school field. The process of accreditation and the procedures of the commission are much the same as those which Mr. Goddard just described for the accreditation of trade and technical schools.

The primary difference is that it is not usually necessary for the subject specialist to visit the school, because, since it is a correspondence course, he is able to receive the course at home or his office, his place of business, or his workshop, and review the course there.

If a course is a combination course where a student has to take part of his course by correspondence and go to the school for the remainder of the course—examples of such courses are truckdriver training and heavy equipment operation—then the subject specialist does go to the school to review the qualifications of the faculty, the equipment that is available, the conditions a student has when he goes to a school and the program of instruction for the resident portion of the course.

Today, over 2 million Americans are enrolled in some 700 to 1,000 private home study schools, 158 of these schools—representing 72 ownerships—are accredited, and nearly 1.5 million students are enrolled with them. Accredited schools offer some 500 different academic and vocational courses. These accredited schools are located in 23 States, but they enroll students from every walk of life in every State of the United States and from many foreign countries. About one-fifth of all NHSC accredited schools are nonprofit institutions. Correspondence instruction has a long and successful record in American education.

Speaking about our accrediting commission, it is different than any that we know of. We have nine men and women on our commission. Five commissioners represent the public and four are executive officers of accredited schools. The commission is, to our knowledge, the only recognized accrediting agency in the country with a majority of public commissioners. To provide additional assurance of independence for the commission, the NHSC bylaws provide that no school may be represented on the commission and the council's board of trustees at the same time.

The commission has always been intensely aware of its role and responsibilities in the area of protecting the education consumer, and the commission's responses to the needs of consumers predates the "consumer movement" in this country. The accrediting commission was one of the first agencies to adopt a policy for the settlement of tuition accounts. This policy is one of the most liberal—to the students—of its kind. It is a performance-based policy that allows students to receive nearly half of their tuition back if they discontinue at the midpoint of their studies. This policy was recognized by Congress and major provisions included in the 1972 amendments to the GI bill.

Since 1969, accredited home study schools have been eligible to participate in the guaranteed student loan program administered by the Federal Government since Congress in its wisdom recognized that American citizens ought not to be denied the opportunity of enrolling in the educational institution of their choice because of a lack of funds. The commission, recognizing the inherent dangers of possible abuse of this program, established special standards and rules for home study schools which participate in the GSLP as far back as 1969, before any school could participate in the program. These standards go far beyond the controls and regulations set up by Congress and the Office of Education, and have been the chief reason why, as a March 1974 USOE paper analyzing home study school involvement in the program stated: "Overall default claims for (home study schools) were relatively small."

Mr. Luman asked us to include something of our feelings about eligibility and accreditation in the statement, and I would like to cover that area very quickly.

With respect to eligibility of schools in the loan program, we believe:

1. Each qualified student should have the opportunity to enroll in the school of his choice. A student who chooses to enroll in a program offered by a quality private vocational school should not be denied the chance to prepare for a better life because such schools are ignored or excluded from eligibility by legislation.

2. Accreditation has proved to be a practical and workable method of identifying quality schools, and attempts to discredit it do not look beyond to an alternate system that would be more effective.

3. Accreditation should be the basic requirement for eligibility with additional specialized requirements being added if necessary for specialized programs.

4. An accrediting commission should not and cannot enforce government program regulations, rules or procedures without the implementing authority and additional resources.

This is the triple agency approach that has already been presented to this committee, cooperation between private accrediting agencies, Federal agencies, and State agencies.

I would like to turn to the matter of complaints because this is an area where we have been very concerned. We have also investigated the matter of the Boston Globe and the Washington Post articles. One of the indexes that we have, one of the areas that we use very frequently, to judge the current problems of an accredited school, is complaints, and I would like to read quickly this section on complaints, because I believe it will answer some of your questions.

Mr. LUMAN. Could I ask you before you begin, when you get to the number of complaints, if you would tell us where they came from, from students, referral from Government agencies, and so on.

Mr. FOWLER. These complaints that we are talking about are all of the complaints that we received in our office last year. They have come from all sources. They come from students directly, they come from Better Business Bureaus. Some are from students who are referred or whose complaint is referred to us by a Better Business Bureau.

They come from the chambers of commerce, the State departments of education. Some come from the Veterans' Administration.

In several instances, we have received complaints from the Federal Trade Commission because it does not handle individual complaints. We do take care of individual complaints, so the FTC frequently refers individual complaints to our office. And from the Office of Education we get complaints also. The complaints I am talking about here are complaints from all sources.

The commission has a formal complaint procedure and a student dissatisfied with his experience with a school may use our office to resolve his complaint. Recently we have heard many sweeping generalizations about the defrauding of consumers by vocational schools, and the facts we have been able to gather on this area are enlightening:

Last year, the NHSC received only 300 complaints from students enrolled in both accredited and unaccredited schools. This figure represents complaints from only one student out of every 7,000 who enroll in home study schools. An analysis of complaints received shows that well over half involved dissatisfaction with the mail service and posting of accounts, while less than one-tenth of them involved allegations of fraud or misrepresentation, and ever fewer related to educational programs and services. Of the more than 300,000 veterans and servicemen enrolled with home study schools, the NHSC received complaints from only one out of every 10,000 veterans enrolled. Every effort is made to find an equitable solution to a complaint, and virtually all student complaints are resolved to the student's satisfaction.

It is also our experience that students do not and have not complained about the failure "to get a job" after completing their training, yet the obsession by some regulators for completion and placement "data" is all too evident. In home study, completion of a course is not an absolute in order for a student to derive genuine satisfaction or achieve his personal career objectives. Home study is an independent method of study well suited for individuals with personal goals, and statistics on completion can never tell the whole story.

It was widely reported by certain Federal officials that vocational schools are the No. 1 complaint problem with the Council of Better Business Bureaus, and when we attempted to document the charge we did not find any support for it. Such sweeping generalizations damage the reputation of our schools and do a great injustice to them.

The ultimate "weapon" the commission has to enforce its standards is the removal of accreditation, and in the past 3 years accreditation was terminated from 15 schools, or 19 percent of all accredited schools. Among the schools losing accreditation was one with an enrollment exceeding 100,000 students. Short of removal of accreditation, however, the commission has wisely used accrediting standards to enforce voluntary compliance and effect literally hundreds of changes in school practices, all in the interest of improving schools and helping students.

Mr. Chairman, you have my statement and there are other points in it, but I will be happy along with these other gentlemen to answer any questions you may have.

Mr. HICKS. Thank you very much.

Your statement will be made part of the record.

[William A. Fowler's prepared statement follows:]

PREPARED STATEMENT OF WILLIAM A. FOWLER, EXECUTIVE DIRECTOR, NATIONAL HOME STUDY COUNCIL

My name is William A. Fowler. I am the Executive Secretary of the Accrediting Commission of the National Home Study Council and I also serve as the Executive Director of the National Home Study Council.

The National Home Study Council is located at 1601 Eighteenth Street, N.W., Washington, D.C. It is a non-profit educational association of some 158 accredited private home study schools. The Accrediting Commission of the Council is the accrediting body listed by the United States Office of Education as a nationally recognized accrediting agency in the private home study school field. The Accrediting Commission of the National Home Study Council is also recognized by the National Commission on Accrediting, which was established in 1949 for the purposes of coordinating accrediting activities in higher education and giving nongovernmental recogntion to reliable accrediting agencies.

My purpose in appearing before you is to acquaint you with the work of our accrediting agency and to tell you about its philosophy, policies and procedures. It is a unique accrediting agency operating in a unique field—the field of home study.

The National Home Study Council has been a leading advocate of quality correspondence education in America for 48 years. The N.H.S.C. was founded in 1926 under the cooperative leadership of the Carnegie Corporation of New York and the National Better Business Bureau.

From its beginning, when a handful of quality schools banded together under the visionary leadership of Dr. John S. Noffsinger, private home study education has gained academic respectability and can point to a record of solid achievement in providing an invaluable social service to millions of Americans who, without the benefits of home study, would surely have been denied an opportunity for education or training.

Today, over 2 million Americans are enrolled in some 700 to 1,000 private home study schools. One hundred and fifty-eight of these schools (representing 72 ownerships) are accredited, and nearly 1.5 million students are enrolled with them. Accredited schools offer some 500 different academic and vocational courses. These accredited schools are located in 23 States, but they enroll students from every walk of life in every State of the U.S. and from many foreign countries. About one fifth of all N.H.S.C. accredited schools are non-profit institutions. Correspondence instruction has a long and successful record in American education.

Although writing at an earlier time, John Morris has relevance to today when he stated that "probably more men in American history have gained the technical phases of their trade from correspondence schools than by any other means." An independent April 1974 survey of full time radio and TV servicemen, for example, revealed that 47% of them received their career training through correspondence study.

From its inception, the Council insisted on high educational standards and ethical business practices. It has cooperated with State and Federal agencies and educational associations. To give historical perspective to the present, I would like to mention just a few examples of the Council's activities over the past half century.

In 1936, Dr. Noffsinger wrote the original Trade Practice Rules for Home Study Schools which were adopted by the Federal Trade Commission. These rules were in effect until 1972 when they were replaced by the current Guides For Private Vocational and Home Study Schools. Over the years, the Council has worked with States in securing legislation to better regulate the operation of private schools and the Council has always been willing, if called upon, to assist Federal and State bodies in framing meaningful and effective legislation for home study school regulation and control. For example, the State of Indiana and other States have modeled their school regulatory statutes and procedures on the Commission's long-established standards and practices.

In the early 1950's, the need for accreditation in the private home study school field became evident. After careful study, the N.H.S.C. established an independent, non-profit, nine-member Accrediting Commission. In 1959, after establishing a successful record, the U.S. Commissioner of Education approved the N.H.S.C. Accrediting Commission as a nationally recognized accrediting agency. Today, the same Commissioner of Education, Lawrence G. Derthick, Sr., sits on the Commission, and is joined by other outstanding men such as Herold C. Hunt, former Under Secretary of Health, Education, and Welfare, who has served as Chairman of the Commission since 1966.

The Accrediting Commission of the National Home Study Council is national in the scope of its operations and provides institutional accreditation for private home study schools. It is unique in that eligibility for accreditation is based on method of instruction rather than on subjects taught or level of instruction offered. Most of the accredited schools are post-secondary and career oriented, but some schools offer elementary, secondary, collegiate and post-collegiate courses.

The Commission is completely independent, and application for accreditation is made voluntarily. Commission decisions cannot be vetoed or modified by any other individual or group.

Nine men and women serve on the Commission. Five Commissioners represent the public and four are executive officers of accredited schools. The Commission is, to our knowledge, the only recognized accrediting agency in the country with a majority of public Commissioners. To provide additional assurance of independence for the Commission, the N.H.S.C. Bylaws provide that no school may be represented on the Commission and the Council's Board of Trustees at the same time.

The Commission has established a set of educational and ethical standards which all schools *must meet* in order to become accredited. In addition to educational standards, these standards require accredited schools to: enroll only students who can be expected to benefit from the instruction; show satisfactory student progress and success; be honest in its advertising and promotional materials; carefully select, train, and supervise its field representatives; show ample financial resources to carry out long-term obligations to students; use reasonable tuition collection methods and have a satisfactory refund policy; demonstrate a satisfactory period of ethical operation.

All schools must undergo initial and periodic evaluations, with every school being re-accredited at least every five years. Schools furnish the Commission comprehensive reports each year, and the Commission can remove accreditation from a school for failure to meet the published standards.

Special reviews of schools are conducted when the ownership of the school changes hands or when serious problems are in evidence at a school. Complaints against schools are carefully analyzed on a continuing basis to ascertain problems, and examination reviews are promptly ordered if necessary.

The Commission has always been intensely aware of its role and responsibilities in the area of protecting the education consumer, and the Commission's responses to the needs of consumers pre-dates the "consumer movement" in this country. The Accrediting Commission was one of the first agencies to adopt a policy for the settlement of tuition accounts. This policy is one of the most liberal (to the student) of its kind. It is a performance-based policy that allows students to receive nearly half of their tuition back if they discontinue at the mid-point of their studies. This policy was recognized by Congress and included in the 1972 amendments to the G.I. Bill.

Since 1969, accredited home study schools have been eligible to participate in the Guaranteed Student Loan Program administered by the Federal Government since Congress in its wisdom recognized that American citizens ought not to be denied the opportunity of enrolling in the educational institution of their choice because of lack of funds. The Commission, aware of the possibility of abuse in this program, adopted special standards and rules for home study schools with students participating in the GSLP. These special standards go far beyond the regulations and controls set up by Congress and the Office of Education and have been the chief reason why, as a March 1974 U.S.O.E. paper analyzing home study school involvement in the program stated: "Overall default claims for (home study schools) were relatively small."

With respect to eligibility of schools for the loan program, we believe:

1. Each qualified student should have the opportunity to enroll in the school of his choice. A student who chooses to enroll in a program offered by a quality private vocational school should not be denied the chance to prepare for a better life because such schools are ignored or excluded from eligibility by legislation.

2. Accreditation has proved to be a practical and workable method of identifying quality schools, and attempts to discredit it do not look beyond to an alternate system that would be more effective.

3. Accreditation should be the *basic* requirement for eligibility with additional specialized requirements being added if necessary for specialized programs.

4. An Accrediting Commission should not and cannot enforce government program regulations, rules or procedures without the implementing authority and additional resources.

The fundamental concept underlying our accrediting program is this: does a school meet the prescribed standards established by its peers as evaluated in light of the school's stated objectives?

Some of the Commission's accrediting practices may be of interest and may serve to reveal the Commission's total commitment to the cause of protection for the education consumer in a vast, complex and often misunderstood field:

1. Before a school is accredited approximately 400 regulatory and consumer agencies are surveyed as to the school's reputation and business practices. The Veterans Administration, the Postal Service, the Federal Trade Commission, the U.S.O.E., state departments of education, Better Business Bureaus and consumer protection agencies are included in these surveys.

2. Input from government at all levels and other sources is continually sought in order to improve and upgrade the standards, the field, and the Commission.

3. The Commission has a formal complaint procedure and a student dissatisfied with his experience with a school may use our office to resolve his complaint. Recently, we have heard many sweeping generalizations about the defrauding of consumers by vocational schools, and the facts we have been able to gather on this area are enlightening:

Last year, the N.H.S.C. received only 300 complaints from students enrolled in both accredited and unaccredited schools. This figure represents complaints from only one student out of every 7,000 who enroll in home study schools. An analysis of complaints received shows that well over half involved dissatisfaction with the mail service and posting of accounts while less than one tenth involved allegations of fraud or misrepresentation and even fewer related to educational programs and service. Of the more than 300,000 veterans and servicemen enrolled with home study schools, the N.H.S.C. received complaints from only one out of every 10,000 veterans enrolled. Every effort is made to find an equitable solution to a complaint, and virtually all student complaints are resolved to the student's satisfaction. It is also our experience that students do not and have not complained about the failure "to get a job" after completing their training, yet the obsession by some regulators for completion and placement "data" is all too evident. In home study, completion of a course is not an absolute in order for a student to derive genuine satisfaction or achieve his personal career objectives. Home study is an independent method of study well suited for individuals with personal goals, and statistics on completion can never tell the whole story.

It was widely reported by certain Federal agency officials that vocational schools are the number one complaint problem with the Council of Better Business Bureaus, and when we attempted to document the charge we did not find any support for it. Such sweeping generalizations damage the reputation of our schools and do a great injustice to them.

Now I would like to turn to the day-by-day work of our Commission. In carrying out the accrediting program, the Commission makes use of qualified peer evaluators who visit schools and file detailed reports. Last year 35 accrediting visits were made to schools and more than 125 N.H.S.C. school staff members were involved as members of examining committees. In the past two years, 40 Federal and State officials served as Observers with visiting teams and virtually all of them expressed their satisfaction with the process. The suggestions offered by these Observers receive careful consideration and oftentimes improvements in the accrediting process result from this cooperative interchange. Each course of every school is reviewed by outside, independent subject-matter specialists, and 270 such reviews were conducted in the past 2 years. In considering the 72 school ownerships involved, the Commission has been extremely vigilant in "policing" its standards.

The ultimate "weapon" the Commission has to enforce its standards is the removal of accreditation, and in the past three years accreditation was terminated for 15 institutions, or 19 percent of all accredited schools. Among the schools losing accreditation was one with an enrollment exceeding 100,000 students. Short of removal of accreditation, however, the Commission has wisely used accrediting standards to enforce voluntary compliance and bring about literally hundreds of changes in school practices, all in the interest of improving schools and helping students.

Accreditation is not easily achieved. Our statistics show that in recent years about one third of the schools applying for accreditation have received it and less than one tenth of all eligible home study schools are presently accredited.

Due process procedures have had an effect on the work of the Commission in recent years, and while the Commission makes every effort to protect consumers from sub-standard practices and institutions, due process rules legally agreed upon by the U.S.O.E. have resulted in a system which sometimes allows a school a period of six months or more of accreditation while the "removal" machinery grinds away. Some of the concerns facing all accrediting agencies today involve expensive and time-consuming legal actions due to adverse decisions, charges of anti-trust violations and restraint of trade allegations levelled against accrediting agencies by schools, class action suits by school employees and students, and a host of other potential legal nightmares in which accrediting agencies have become enmeshed. The atmosphere of legalistic battle seems to face us at every turn.

Lost somewhere in the due process jungle is the original concept of accreditation: voluntary adherence to high standards as determined by one's peers with a clear mandate for continuing improvement.

During this time the N.H.S.C. and its Accrediting Commission, sometimes acting alone, have attempted to improve services to schools, the public and students. Some of our more recent actions have been:

1. Adoption of new policies, procedures and standards in the area of financial stability, the control of field sales staff, participation in the Federal loan program, and combination home study and resident programs.
2. Adoption of policies that allow all persons and organizations to have meaningful input into accrediting standards.

3. The N.H.S.C. submitted a proposal to the Fund for the Improvement of Postsecondary Education to develop a nationally available home study course in effective methods of correspondence education so that all schools could be improved. No college or university in the country offers such a program. The need is critical. Unfortunately, this proposal was not funded for reasons which have not been revealed to us. Unfortunately, this has made it seem that sometimes government apparently feels more comfortable as a critic rather than as a patron of our educational method.

The accrediting system we have developed continues to serve the students, the public and schools well. As Dr. Frank Dickey of the National Commission on Accrediting has stated, "Accreditation is accountability for stewardship of a public trust and is another manifestation of the fundamental precept of democracy: liberty under law or freedom circumscribed by self-imposed restraints."

We believe that our system of accreditation has worked well over the years, sometimes in cooperation with government, and at other times without government help. We also believe that voluntary compliance and self-regulation have worked to the advantage of the public far better than arbitrary, legalistic, unwieldy, and restrictive legislation imposed by regulators who do not seem to care about the harm done to future generations of students who may be denied a chance for educational advancement. Peer evaluation has worked far better than bureaucratic paper shuffling. Accrediting agencies such as ours have been doing their job largely without the help, support or encouragement of government, and yet the need for greater cooperation and support is needed if present problems are to be resolved. We ask our critics today—what trees have you planted? How many thousands of men and women who have been "written off" by traditional education are being trained in private schools today? Are the generalized charges against our schools so frequently voiced today based on fact—or on personal biases?

In closing, I would like to quote Dr. Noffsinger's landmark study of correspondence schools written nearly 50 years ago:

"No matter how alluring the advertising and how resourceful the salesmanship, the correspondence schools could not get 1,500,000 new students every year unless some demand for such instruction existed. The correspondence school may meet the need badly, but it meets it and no other agency does. The fact is that vast numbers of the American people are unprepared to earn their livelihood. They find themselves with the responsibilities of maturity and at the same time lacking the necessary training to better themselves materially. They cannot go back to school; they must seek training elsewhere.

"The public educational system does not provide it except in certain larger centers; they must look elsewhere. The correspondence school goes out to them. If some of the time or most of the time it exploits, it at least is the only opportunity offered them. If the private correspondence school is inadequate, the responsibility devolves on the nation to provide a more adequate agency or to take steps to ensure the improvement of the private correspondence school."

Our schools have trained million of Americans for more fruitful lives, and we have worked for many years to improve these schools. We welcome your suggestions for improvement and we look to you for advice and support. Working together, we can look forward to another 50 years of excellence in education by correspondence study.

NATIONAL HOME STUDY COUNCIL STANDARDS FOR CORRESPONDENCE SCHOOLS WITH STUDENTS ENROLLED UNDER THE GUARANTEED STUDENT LOAN PROGRAM

Schools accredited by the Accrediting Commission of the N.H.S.C. may participate under the Guaranteed Student Loan Program:

a. In accordance with the provisions set forth in Title IV, Part B of the Higher Education Act of 1965 as amended and the regulations promulgated thereunder by the United States Office of Education of the Department of Health, Education, and Welfare; and

b. Subject to the Standards of the Accrediting Commission of the N.H.S.C. and these special Standards. These Standards apply to schools enrolling students under the Guaranteed Loan Program whether the loan has been made by a third party lender or by the school acting as an eligible lender.

1. A person who applies for a Guaranteed Student Loan at the time of application for enrollment is a Guaranteed Student Loan applicant. The school has the right to begin servicing the Guaranteed Student Loan applicant in accordance with its usual practice.

2. A Guaranteed Student Loan applicant must meet the same acceptance requirements as any other applicant.

3. A Guaranteed Student Loan applicant becomes a Guaranteed Student Loan student upon receiving notification from the lender that his loan has been approved by the Department of Health, Education, and Welfare.

4. A Guaranteed Student Loan applicant, upon notification of the disapproval of his application for such a loan, shall receive an automatic cancellation of his contract from the school with no financial obligation on the part of the applicant and an immediate refund of any monies paid to the school under this enrollment contract.

5. The amount of the loan to a student enrolled in a course that does not include required terminal resident training shall not exceed the cash price for the course less the down payment. The cost of loan insurance and state and local taxes may not be included as a part of the loan.

6. A loan to a student enrolled in a course with required resident training will be made in accordance with Standard 5, but the amount may also include reasonable expenses for the required resident training. In such event loans must be made in two separate increments with the disbursement of the amount for such resident training expenses being made only at the time the student reports to the school to begin the resident portion of the course.

7. The school must establish a required minimum down payment for each course. The school may service the Guaranteed Student Loan applicant and may process a loan application only after receipt from the student of at least the sum of money required as the minimum down payment.

8. The school must require that the applicant, at time of application, acknowledge to the school *in writing* that he understands he has applied for a Guaranteed Student Loan and, if the loan is made, he is obligated to repay the loan.

9. At the time of enrollment, the school must obtain the following authorization certificate from the student applying for a Guaranteed Student Loan.

AUTHORIZATION CERTIFICATE FOR GUARANTEED STUDENT LOAN PROGRAM

------------------------ 19----

I hereby authorize and direct the -- (lender) to pay the proceeds of my loan evidenced by a note dated ---------------- ------ for $------------------- to ---------------------------------- (school) in full payment for my tuition and charges for my course. Any refund which may be due me shall be sent by the school to the lender and applied against the then outstanding principal balance.

(Signature) --
(student)

10. Where an eligible school acting as a lender or arranging a Guaranteed Loan on behalf of the student receives the proceeds of the loan directly from the lender, any refund due the student must be paid by the school in accordance with N.H.S.C. Standards directly to the lender to be applied against the outstanding loan balance.

11. An eligible school may make loans only to students enrolled in its own home study courses.

12. No claim shall be made to the Federal Government under the guarantee provision for an amount of unpaid principal balance that exceeds the amount of the loan as this amount is finally determined under the terms of the school's Cancellation and Settlement Policy, less that school's established percentage of uncollectable value for non-loan student contracts.

13. Schools participating in the Guaranteed Student Loan Program will refer to such participation in any common media advertising only in the following manner: "Eligible Institution Under the Guaranteed Student Loan Program."

14. In administering this program, a school must use the forms required by the U.S.O.E. and the Accrediting Commission and make periodic reports on procedures, loans, repayment and claims as required by the Commission.

Mr. HICKS. Mr. Pritchard, do you have any questions?

Mr. PRITCHARD. Let me sort of start this way with both of you gentlemen, particularly Mr. Fowler.

What do you think the cause, you know, of all these articles that have appeared, I guess you would say the publicity that has surrounded the schools. What's caused this?

Mr. FOWLER. I think that there are several causes for this. I think that there are some problems and there are some examples that are not good in terms of individual students who have had unfortunate experiences with schools. This is not just with home study schools, but with private vocational schools that are residential schools, and even public schools, particularly public vocational schools. Education is an area of consumer concern, and I believe that consumer agencies know this. For the past 20 years we have had a great interest in education in the United States, and since this is something that affects people very personally, and the money they spend for their education and their children's education is important to them. I think that it is an area of high consumer interest. Examples of difficulties students have had with schools do come occasionally to the attention of Government agencies, newspapers through action lines, and so forth, and I think that this is an area that the news media recognize as being one with high reader interest.

I also believe that with the expenditure of Federal funds and the aid given to students through various kinds of educational assistance programs, there is a concern with how Government money is spent. I think this is particularly true with the Veterans' Administration at the present time. All of these have created a special interest on the part of the Federal Trade Commission and on the part of newspaper reporters.

We have been interested and concerned also, and we have asked ourselves the same questions you have asked and we have tried to analyze the matter. In the field of correspondence education, are there basic reasons that these things are happening? That this bad publicity is occurring?

Very frankly, based on the number of complaints and based on the documentation we have been able to have people provide us, we feel there is no basis for widespread concern. There are isolated problems, there are bad examples, but there are not large numbers of students who are dissatisfied.

Mr. PRITCHARD. In other words, the thrust of your testimony would be that this thing, this hasn't been an accurate picture, that it's really been blown out of proportion.

Mr. FOWLER. I think in terms of the overall seriousness of the situation, it is not an accurate picture, in terms of isolated problems, yes, there are and these certainly should be taken care of.

Mr. HICKS. What is the trend compared with a year ago or 2 years ago?

Mr. FOWLER. The trend that we have from accredited schools is certainly down. I would say that the complaints we had in the last 2 years are probably only about two-thirds of what they were 2 years ago.

Mr. HICKS. How about you, Mr. Goddard?

Mr. GODDARD. I would say that to answer the broad question would be somewhat more involved, but our ratio of complaints in relation to the number of students we serve has definitely declined in the last 2 or 3 years.

To get to the broader issue, I think the reason for some of the bad publicity would be the natural interest, public interest in the growth and the current respectability of career education.

Mr. Hicks. Did you say you had a hundred and some thousand students?

Mr. Goddard. Yes, sir.

Mr. Hicks. And how many students would you say you have, Mr. Fowler?

Mr. Fowler. In accredited correspondence schools, probably a million and a quarter.

Mr. Pritchard. Now, you said that almost 20 percent, you've taken away accreditation from 20 percent of your schools?

Mr. Fowler. Yes, in the last 3 years.

Mr. Pritchard. I think that is a rather substantial number of your membership to be knocked out.

Either your standards are so high or you have an effective way of measuring complaints. There is something a little out of whack here. Twenty percent of the schools that you have accredited, you've removed the accreditation?

Mr. Fowler. Yes, and I think I have a comment that will probably surprise you. I would say that those schools that have had accreditation terminated or have lost accreditation for one reason or another, represent only a very small fraction of the complaints that we received.

The accreditation was taken away or the schools lost accreditation for other reasons than complaints.

Mr. Pritchard. Yes.

Mr. Fowler. Financial stability, change of management and ownership, and concerns of that kind. One of the reasons that complaints have declined, in my opinion, is the emphasis that we have and the Government agencies have placed on the handling of complaints.

Our accrediting process is particularly concerned with the procedure a school has for handling complaints. When I say we have had only 300 complaints, I do not mean to imply that we don't take complaints seriously, or that we minimize their importance. We feel that if a complaint comes to our office, it's a serious complaint, because in almost every case the school has already had an opportunity to resolve that complaint.

If he's unhappy, the first place a student complains is to the school, so our accrediting process is geared to having the school have a procedure, have policies that allow equitable handling of complaints in a routine way, so that the complaints don't have to be taken to other agencies. We have placed a heavy emphasis on this in the past several years, and I think the reduction in complaints has really been a result, in good part, of this.

Mr. Pritchard. We have one other little matter that's going on here in the Congress. It seems the Members on one side of the aisle, at least, are going to be having a meeting. I'm not so sure that complaints are a proper measure, anymore than I believe that mail is a proper measure for me to be concerned with a problem.

I think that we all know that certain things create a lot of mail and some things don't, and people that go to vocational schools, I'm not sure that this is a proper measure. I don't think this is the way that, at least in my opinion, you measure how good a job is being done, on the number of complaints.

I think that when you take 20 percent of your schools and knock out accreditation, I think that can be viewed two ways, either that you are doing a splendid job of being tough with your members, or that bad practices are running rampant in your membership because I think that that is a very high number of accredited schools. These are not ones that are coming up, these are ones that have already been accredited, and the fact is that I think this is good.

I guess what we're looking for—I'm satisfied myself that there are a great number of problems, and that you are dealing in a difficult era and area, and one of the great problems we have, many people get into these schools, whether it's false advertising or whether they have not read it carefully, or they come in with preconceived ideas, but for one reason or another you don't get really the proper candidate in the right spot so that it is not a good fit.

Now, he may have taken the course because he wasn't very smart about how he got it or he read it in the paper, the advertising was very proper, but he came to some false conclusions of what it would offer, and after he got halfway into it, he realized it was not really what he wanted to do.

He doesn't complain, he doesn't write. He just says, well, it's a bad experience.

Mr. FOWLER. Our accrediting standards have tried to take this into account, and in the standards it does require that a school have——

Mr. PRITCHARD. I see, you enroll only students who can be expected to benefit from the instruction.

Mr. FOWLER. That is correct.

Now, this is done in several ways, keeping in mind also that we are as interested, probably more interested than most other educational institutions, in having an open enrollment policy because home study is a second chance opportunity for a lot of people, and if you are too selective, you may rule out people who would have an opportunity if they took the course.

We do not encourage schools to have entrance examinations, as too often that approach is more of a sales technique than it is a tool for assessing skill or talent.

Mr. PRITCHARD. If you draw, you can paint a masterpiece picture.

Mr. FOWLER. That's right, so we place more emphasis on whether or not a student is able to progress through the early lessons, and a school gives special attention to the student's progress through the early lessons. As an example of the concrete action that our organization has taken, 2½ years ago, we adopted a cancellation and settlement policy that requires the school to cancel a student's enrollment and make refund to the student if he does not submit a lesson for a 90-day period during the first 6 months of his enrollment. This provision is designed to take care of these people you are talking about. Students that enroll, and find the course too hard, or find it is something different than they thought that it was, just quit. They don't take any more lessons. This provision in our cancellation and settlement policy is designed to take care of those people and not penalize them.

Mr. PRITCHARD. And you would have that in your membership.

Mr. **Fowler.** We do have that; it's required as a minimum policy for all schools; but many schools have a more liberal policy. I mentioned, that was written into the GI bill amendments a year ago.

Mr. **Pritchard.** I see.

Mr. **Ehrlich.** We might point out for accuracy, that Congress did not write in that part of the policy dealing with cancellation in the first 6 months. That provision is only in our policy. The Government did not write that policy in.

Mr. **Pritchard.** I understand that.

Your're dealing with a correspondence school. Let me just tell you a for instance. I had a lady working for me. Her husband took an accounting course. He took the whole course; it took him years to get through it. He went down and passed the examination and then found out that in our State, the State of Washington, he could not be admitted because the school was not approved.

Now, I suppose somebody should have checked, he should have checked, but he just assumed that when his correspondence course said, you know, something about if I take this course and I pass our State exam, and they said, yes, you can pass the State exam, but they did not say, of course, it wouldn't apply because we don't recognize out-of-State correspondence schools.

Now, to me that's a responsibility of the school to tell anybody, and this happened in La Salle School. I think they had an obligation to tell the fellow, you're in the State of Washington and you can pass our course but you have to move to some other State, which he did—he had to move to California.

Now, do you have anything that takes care of that?

Mr. **Fowler.** Yes. This is a problem because changing Government or State rules and regulations for CPA examinations, real estate licensing, and even in some cases, automobile mechanic examinations, have become more prevalent, and correspondence courses do take sometimes 2 or 3 years to complete. Reacting to this problem, about 2½ years ago our accrediting agency adopted a standard which does require the school to provide the student in a given State, the specific licensing requirements for that State prior to enrollment.

This concern existed for the La Salle law course also. Only California and Oregon, I believe, allowed the graduate to sit for the bar examination. Now, very specifically our standards require that if there is a licensing requirement, whether for a plumber, a data processing man, an accountant, or whatever, it is the school's responsibility to advise him if he is located in a given State, of that State's requirement.

Mr. **Pritchard.** Now, what percentage of the schools, correspondence schools, are accredited?

Mr. **Fowler.** It is hard to say because we really don't know. I don't believe anyone knows how many correspondence schools there are.

Mr. **Pritchard.** What is your best rough estimate?

Mr. **Fowler.** We have about 700 correspondence schools on our mailing list, and some say there are as many as 1,000. One hundred and fifty of them accredited.

We estimate that about 75 to 80 percent of the students enrolled in private correspondence schools are enrolled in accredited schools. Only a small percentage of schools are accredited, but they do represent the majority of students.

Mr. **Pritchard.** So the more substantial, larger schools are accredited?

Mr. **Fowler.** Yes.

Mr. **Pritchard.** And the smaller ones are not.

Mr. **Fowler.** Yes.

Mr. **Pritchard.** And these are where most of the problems come from, aren't they?

Mr. **Fowler.** I would say that there are some problems across the board, but most of the flagrant abuses, the fraudulent advertising, the diploma mills, are in these other 550 schools, yes.

Mr. **Pritchard.** If you were sitting in our slot here and trying to do something to curb these abuses, how would you get at these nonaccredited schools?

Mr. **Fowler.** There are a couple of things I would do.

Mr. Goddard and Mr. Ehrlich sat with a group of people from the Education Commission of the States, that wrote model legislation for States to adopt. There are only some 35 States that have legislation at the present time. I believe the U.S. Congress could very legitimately and straightforwardly recommend to States that they adopt good legislation.

Mr. **Pritchard.** Are some of these States better than others.

Mr. **Fowler.** Every State that has legislation, has legislation that's different from every other State.

Mr. **Pritchard.** Could you name two or three that you would prefer?

Mr. **Fowler.** I would say that the States that we find to be most effective are Indiana—Ohio is very effective, Illinois is quite effective, California is particularly effective, Pennsylvania is effective.

There are some States that have no laws or regulations whatsoever.

Mr. **Ehrlich.** Mr. Pritchard, can I hitch-hike on this a little bit? Both of these groups historically have tried to go to the various States and work for good State legislation. There are two problems involved. As Mr. Goddard pointed out, he was a member of a task force for the Education Commission of the States, and I'm listed as a legal counselor.

I was only a legal consultant and helped to write the bill. There are two problems involved in this legislation. One is the development of good legislation itself. Unfortunately, many States have poor laws, as several witnesses stated.

The second problem is that we need good people to administer the law. There are usually not enough funds given to the people in the States to properly administer the law.

We've heard that in some States they have as little as $1,000 or $2,000 per year to do the job, which makes it impossible to do an appropriate job. What we try to do is to visit the States and try to work with them and help them.

In an effort to save money, they even participate as observers on our accrediting teams, so they can get the benefit of the accrediting process. We develop proposed changes and modifications in their laws. We have even offered our help to the States of Washington, and I understand I am being invited to come to Washington within the next few months to help them in their next legislative session. They are developing new legislation based upon the Educational Commission of the State's model bill, and my job then will be to try to help them to develop the best piece of legislation for the State. We provide this help at no cost to the State because we realize that since accreditation is a voluntary process, it means that there are a large number of institutions that will never go through the process, and that there needs to be good legislation and good regulations in each State.

Mr. PRITCHARD. I agree with that, and I think we have to come up with some leverage so that it makes it advantageous for a State to move because certainly you people can only work on those people that are members of your association and the tougher you get, and the smaller the circle, and the more you leave them out, and you can say, well, it is just self-defeating, and we are always preaching to the choir in this business.

Mr. FOWLER. Right.

Mr. EHRLICH. That's correct.

The basic question that you have raised is what is needed to correct these programs. It is our feeling that Congress has written good legislation. This legislation has not been properly implemented.

The legislation really entails three elements, and how well those three elements are carried out makes a difference in the legislation.

One, there must be a strong State agency developed to license schools, to provide for this first approval. As we have pointed out, there are many good examples of where it exists today. If this were true in all States, we would be very pleased. We really feel this is necessary.

The second thing—and this is where accreditation comes in for the greatest part—is quality of education—we do a superb job in this area.

The third element is the Federal Government and the need for the Government to take action on those who may be in violation of the law. In our judgment, this third element, the Federal Government, has not carried out its responsibilities.

Accrediting agencies have found themselves in the position, and it's not a very good position to be in, of having to enforce the law and to make up for the lack of enforcement in some States, as well as the lack of enforcement by the Federal Government.

Accrediting agencies are not a cure-all for everything. We don't have one-stop remedy services. We can do a great deal to remedy abuses, and we have extended our role to do much more than was ever contemplated. Accreditation evaluates the educational program, but we have gone beyond that to business standards which cover every aspect, including advertising of the school. In the case of home study we have a separate set of standards for schools engaged in the loan program that go way above and beyond anything that the Federal Government has developed. So we are, in essence, regulating home study schools under the guaranteed loan programs.

We're doing the regulating but this should not be our role.

Mr. PRITCHARD. That is not your true function.

Mr. EHRLICH. It is not our true function.

Mr. PRITCHARD. I think we can continue to work on the abuses, and we can keep talking. What I would like to see is some effective way of getting some solutions in this area.

Mr. Ehrlich. Well, we would support the development of an effective solution in this area. We think we can help the committee in doing this because if we had the three areas doing their jobs——

Mr. Fowler. And cooperating together.

Mr. Ehrlich. And cooperating with each other, we would be able to solve the problems.

Mr. Pritchard. Well, tell me, one of you, why don't we have more cooperation? Is there some inherent mistake, you know, is it something underlying, is it a matter of personalities, or is it just the usual overlap of government, or what?

Mr. Fowler. I think it is some of all of those things, plus the fact that there is not a clear understanding of what is expected in each case. For example, our accrediting agency says in order to be accredited, the school must legally be established in the State.

If a State doesn't even have any rules or regulations or a licensing law, then there's no foundation upon which to start in terms of cooperation with the State. For instance, take the State of Missouri, when we write to the man there responsible for approval of a school for the training of veterans, he says I have no opinion on the school other than the VA area because we have no other responsibility under the law; we have no law in Missouri to regulate schools. I think that a basic understanding of what each of the various agencies is responsible for would be very helpful.

Mr. Goddard. There's also another problem here, and that is of course that each agency views itself as an entity within itself.

Mr. Pritchard. That's not new.

Mr. Ehrlich. That's not new. That is as old as the hills.

Mr. Hicks. There should be interagency committees or cooperation.

Mr. Ehrlich. You have noted, in the testimony given by the gentlemen here, we have stressed the fact that in the accreditation or reaccreditation process, an effort is made by the accrediting agencies to determine from every agency what information they can give us.

We believe that if we could receive information from other agencies and share the problem without the question of whose jurisdiction it is, we could get the problem solved. We can do it.

For example, when you talk about student complaints, accrediting agencies can move much faster than say any other agency. With the Federal Trade Commission, where a long process is involved, student problems require a quicker answer, and we feel that regardless of whether it be ourselves or the States, or the Federal Government, if we have this kind of a cooperative situation, then whoever can do the job better and faster would have the opportunity to get the job done.

Mr. Hicks. Mr. Pritchard advises me that he asked a question that I was interested in, that although correspondence schools represent less than a tenth of proprietary schools, they hold two-thirds of the students. What about the statement that today 85 percent of the proprietaries are owned by well-known corporations such as Bell and Howell, Control Data, and so on?

Mr. Pritchard. Is that true?

Mr. Goddard. No, not in that context. It wouldn't be true; 85 percent of the schools might be incorporated, but certainly not owned by major corporations or conglomerates, or anything like that.

Mr. LUMAN. That was in Mr. Wilms' paper, incidentally.

Mr. GODDARD. Yes. It may be that it was referring to a number of students, or some other criterion, but it's certainly not true that 85 percent of our industry is owned by major corporations.

Mr. HICKS. Let me ask you this. What percentage of your income has some connection with the Federal Government, whether it is a guaranteed loan, grant or whatever?

Mr. GODDARD. In the total private trade and technical school industry, it would be quite small. It would be, I would have to guess, 25, 30 percent.

Mr. HICKS. What about the correspondence schools?

Mr. GODDARD. It would be the same, maybe less.

Mr. HICKS. The Government may not have much leverage there.

Mr. GODDARD. That's correct.

Mr. HICKS. Mr. Luman?

Mr. LUMAN. Aren't some of the largest lenders two or three of the big correspondence schools?

Mr. FOWLER. Yes, and some of the institutions with the largest number of students participating in the loan program are correspondence schools.

Mr. LUMAN. So in those big schools you would have a rather high percentage of guaranteed student loans to students.

Mr. FOWLER. Yes, and in some cases the same schools would also have a high percentage of veterans, but the question I thought was the overall correspondence school field. If you take selected schools, some schools may have more than half of their students that are veterans. Many schools, for instance, I would say the average school in the National Home Study Council has less than 10 percent veterans. That's all.

Mr. EHRLICH. We just checked this. Only about 11 or 12 of the accredited home study schools participate in the loan program.

Mr. LUMAN. But aren't those some of the biggest schools?

Mr. FOWLER. Yes.

Mr. EHRLICH. The biggest ones in the program are accredited home study schools.

Mr. LUMAN. I have a question about the default claims. We've talked about those this morning, and Mr. Fowler's statement says overall default claims for home study schools are relatively small—he's citing a USOE paper, and I understand that is true, but concern has been expressed about the Government's liability at the schools which are lenders, who have made the loans, and have not gone to the Government if there have been defaults, only in cases of bankruptcy or death, generally.

The question is raised that the Government is still on that paper. Couldn't the school next week change its policy, and walk into the Government and say all of these loans are in default, you guaranteed the money, we want the money?

Mr. FOWLER. The answer is yes, but not retain accreditation, because the standards that Mr. Ehrlich mentioned and I mentioned earlier preclude a school from making those claims beyond what it would normally claim for any average student that is not under the loan program.

Mr. **Ehrlich.** Mr. Luman, as I previously pointed out, this is a clear example of how an accrediting agency faces a responsibility over and above what it should take, and develops rules and regulations that go way beyond what has been developed by the Federal Government.

In other words, the built-in protection is the standards of the National Home Study Council.

Mr. **Luman.** But if you were to change, do you have any estimate of how much accrued liability the Government is confronting in the home study field?

If, for example, one of the schools, or three or four of them just suddenly decided they are not going to play ball anymore, they are going to take this paper over to the Government and say, "you guaranteed the loans, and they haven't been paid, we have been trying to collect them, we can't. We want our money." What sum are we talking about?

Mr. **Fowler.** Without doing some figuring, I couldn't give you any.

Mr. **Ehrlich.** I don't feel this is a realistic problem because if a school is committed to and has worked in connection with one of these Government programs, they are unlikely to change their pattern of operation overnight. If they change their pattern they would still have to comply with our rules under the guaranteed loan program since they would still be accredited. If they violated our standards, I can assure you the proper steps would be taken by the accrediting commission.

Mr. **Luman.** But you do admit that there is a sizable outstanding liability that is balanced here?

Mr. **Ehrlich.** I don't know whether there is a sizable outstanding liability. There are three major schools who have worked in the program and have done so in a responsible manner. I believe that the entire home study industry demonstrated how responsible they can be under the Government program when they developed appropriate standards governing themselves.

I think that the industry's action has benefited the program and should be complimented, rather than concern expressed about their participation.

Mr. **Luman.** So long as they hold back, I agree with you.

Mr. **Ehrlich.** OK.

Mr. **Luman.** Mr. Goddard, the study you cited—the Belitsky study—included these phrases: "If the students do not get satisfactory jobs the schools quickly lose their appeal," and "the schools are characterized by limited objectives and programs, single-purpose organizations to prepare students for successful employment."

Now, I think from what we have learned that is a fair characterization of the schools. I'm puzzled somewhat by the statement in Mr. Fowler's presentation, that "the concern by some regulators for completion and placement 'data' is all too evident," as if somehow when the schools are admittedly for the purpose of training for employment, it is not proper for Government regulators to be concerned about it.

Can you tell me why the student shouldn't be told when he talks to a representative of the school, what the school's placement record is and what its dropout rate is?

Isn't that information that is useful for him to know to determine whether he wants to take the course?

Mr. Fowler. There's certainly a vast difference of opinion on this subject because it has been the position of the Federal Trade Commission that schools should provide this information. In discussing the matter and in philosophizing about it, I think that there are several things that can be said.

Home study education, correspondence education, is for, in many cases, people who have had a bad experience with other educational systems. If you can enroll someone and he can be successful, if you have one in four that is successful under these circumstances, isn't that wonderful? Why would you create more problems for him, or give him more roadblocks to discourage him from taking advantage of a worthwhile educational opportunity?

Mr. Luman. You know, you have to be very careful when you withhold information from someone for their own good, which is sort of what you are saying here. Why shouldn't he be told, it's one in four, if that is what it is?

Mr. Fowler. Well, I think he could. You could use many examples of the same kind of thing. When you go to a doctor, should he have to tell you how many patients he treated last year died?

I think there are a lot of analogies that could be made, but basically, let me say that I believe, that I don't think that even if this information was provided, that it would serve either as a deterrent or an incentive for very many students.

I think most students are already pretty well inspired with the idea that, "yes, I can be successful in this area." You have done a lot of research. You know that the negative selling technique is used, and if negative selling can be used effectively, it can be used with this kind of statistic.

Mr. Luman. Well, if that's the case and it is not going to have much impact, then why object to doing it?

Mr. Fowler. For the few students it might discourage, this would be unfortunate.

Mr. Ehrlich. In home study, a great many students get what they need after a number of lessons and never complete the program. One of the things we do, is try very hard to help the student, as this may be the last chance of a particular student to get an education. We are trying very hard to encourage him.

Home study requires discipline of the individual. Those of us who went to resident school didn't have to worry as much about that.

Now, if we can get that student to begin a program, get him started, get him studying, get him to a position where he gets the benefits of the program, whether it be the whole course or half the course, then we have made a contribution. It is sometimes very diffcult to keep him studying because of family problems or other involvements, which I am sure you are aware of.

Mr. Luman. I agree with all of that, but looking at your standards, for example, you have a fine standard that you can enroll only students that can be expected to benefit from the instruction. Now, that has its pull in the opposite direction if you are employing salesmen who make their living by selling courses to students. A salesman has that in his head, and he also has the fact that he wants to make his living at it.

I should think that we could provide the student this additional information. If the primary purpose of taking these courses, not for everyone, but for most people, is to prepare for successful employment, then why shouldn't he know of the track record of the school?

Mr. **Ehrlich.** Well, Mr. Luman, there is also another factor. There are a great many students under the GI bill and under the loan program, but most of the students in home study are not under these programs. There is a reason for it. In some of these programs, people are not taking a home study course for a job.

Some of the students enroll for avocational and recreational purposes. Therefore, they are not eligible to come under these other programs, but when you would start talking about a figure, you would normally then have to include those who were taking it for *x* purpose as well as *y* purpose, and there you start getting into some figures which are not really valid figures for the particular person.

If we could ever determine which students took the course for what reason, then you might have some valid statistics, but that's very difficult to do because students don't always tell you why they are taking a course.

Mr. **Luman.** I would assume though, if you had a course, but only half of the graduates obtained employment in the field, because a number of them took it for avocational purposes, they wanted to be able to fix their own car, they don't care about working as a mechanic, then the inflow of future students ought to be in about the same ratio. Those who didn't care to get a job would not be dissuaded by the percent placement, would they?

Mr. **Ehrlich.** Well, our main problem is when you try to follow up on these things, to get the student to tell you. He's always concerned that if he gives you information, you might be wanting to use this for some purpose, and many times it is hard to get the information from the student.

That's plain and simple, but what a school does, its objectives, its ability to perform, are all measured by the accrediting process. Let's clear up the misconception that when a salesman enrolls a student, he gets his full commission. He is charged back if the student doesn't progress through the course. It makes a difference to him that the student moves through the program, and not stop at the beginning. We don't have a system whereby he gets his money and he can fly the coop.

Mr. **Pritchard.** Yes. Some of the schools have salesmen, and I gather that they work on some type of a commission basis.

Mr. **Ehrlich.** Some do, some don't; and some have salary plus bonuses, or some incentives.

Mr. **Pritchard.** But there is an incentive there if their enrollees complete the course.

Mr. **Fowler.** In most instances.

Mr. **Pritchard.** There is some type of a reward.

Mr. **Fowler.** Not in every case, but in most cases.

Mr. **Ehrlich.** In most cases, there is a reward.

Mr. **Pritchard.** Can you give me, for instance, a typical, if there is sort of a typical case, how does the fellow sell? Does he sell through following up leads that come in, on say a mailing and then somebody writes in and says yes, I would like to be x, y, z?

Mr. Fowler. Leads are developed in many ways. Some schools use national advertising, some use radio and television, some use local newspapers, and some use telephone calls and others canvassing methods.

And if a representative develops his own and doesn't get the lead from the school, he usually gets a little higher commission, or a little more compensation than if the school develops the lead for him.

Mr. Pritchard. I see.

What type of—of course, I imagine that this would vary in every type of course because it would be more valuable. Does he get a percentage? Twenty percent?

Mr. Fowler. No; it is usually a set figure, $100 or $125 for the student who progresses to an established point in the course. I don't want to leave a misunderstanding or a possible misunderstanding.

Most schools have a progressive payment system for representatives but these are not usually geared to full course completion. Usually, it's more like 50 percent of the course rather than graduation.

Mr. Pritchard. Sure.

I can understand. This is something I do understand. It came out of that.

What kind of turnover do you have in your salesmen in these things?

Mr. Fowler. This varies greatly between schools. Some schools have a relatively high turnover. Some schools have a turnover of two salesmen a year, for every salesman that is regularly on their sales force. Many schools have very stable sales forces where the turnover is very low.

Mr. Pritchard. I think this has quite a bit to do in judging an organization, and I would imagine that those schools that do a good job have a much lower turnover in their sales force, and they have less problems in the type of people and the quality of enrollment.

Mr. Fowler. I wish we could say that, but I'm not sure that is the fact. Mr. Goddard can speak with much more experience in this area.

Mr. Goddard. Well, you certainly couldn't generalize in this area. You can find exceptions to most any rule, of course.

I would suggest that most human beings who work have some level of financial or monetary incentive, and I don't know that tying any one of these elements to another is going to be a very correct indicator.

I frequently turn over in my mind a sort of comparison between the recruiter for our type of specialized occupational school with those of the typical college or university, State, private, or otherwise, and I don't really see a significant difference.

It's just as in comparing catalogs. It's somewhat amazing to me how catalogs can tell a story, but students in all types of institutions get there and have so many different views about whether or not the catalog appropriately represented the institution.

I don't know.

Mr. Pritchard. Then your industry is different than almost any other because my experience in sales, in dealing with salesmen, is that when you have a high turnover and you have people moving through an organization, there is a tendency to sell now and forget about it tomorrow, and you don't build up a type of responsibility where the fellow has a lot at stake in making sure that what he does a year from now or 2 years from now is going to bear positive fruits.

Mr. EHRLICH. Well, Mr. Pritchard, we are concerned about it, and in the accrediting process it is of major concern to us. We want to see the basic stability of the school in all of its aspects.

Turnover could be a problem, not only turnover of salesmen, but also of the administrators, teachers and other personnel. All of these things create problems within the framework of the accrediting process, and we are concerned about them all.

Mr. PRITCHARD. But you see, you are paying that commission to that salesman, and you are working at cross purposes with human nature, for this person to grab, to promise, to do what have you because he is making his quota, or what have you.

The person that has been there a while, these things take on a little less urgency or this desperation of grabbing anybody.

Mr. EHRLICH. Right. Let me add one other thing to this. We also provide, for just the reason you are talking about, that the school is responsible for the actions of its agents. In other words, they cannot get away by saying the agent did this thing, or he may be an independent contractor, or whatever you may try to do.

Our rules are very specific, if you'll read them, that the school is liable for the actions of the agent, and is responsible for those agents, so we don't give them an opportunity to sneak out. We're concerned about this problem, as you are, and I think rightfully so.

Mr. FOWLER. In most contracts with representatives, the representatives do have some kind of a term payout as we mentioned. As the student studies the representative's reimbursement is related to his progress through the course.

I also wanted to clear up another point. Most of the schools, most of the home study schools accredited by our agency, do not have salesmen. Most of the schools enroll students directly by mail, so that the student has a full opportunity to read the advertisement, to review the catalog, make the decision.

Mr. PRITCHARD. There is a danger when you have commission salesmen working in this field. You cannot help but get around to where you are inviting, there is just more opportunity for problems when you have commission salesmen selling in a field like this.

Mr. FOWLER. We have talked about the criteria of the Office of Education, and Mr. Fulton mentioned this. Our accrediting commission has been very concerned with this area because many of the complaints are dealing with the area of school recruitment of students one way or another, and the Office of Education suggested at the time of our last review that the commission make a special effort to develop additional standards, and even suggested a code of ethics for representatives.

We are almost to the point where we will have, I believe by the fall meeting of our accrediting commission, additional standards and a code of ethics for representatives in this field.

So yes, we are very much concerned, and we are actively involved in it, and we know that this is not going to solve all the problems either, I'm afraid.

Mr. PRITCHARD. OK. Thank you.

Mr. LUMAN. There have been some reports that some schools spend more money, considerably more money, on advertising and recruitment than they do on the cost of instruction.

Should figures on this kind of spending be of concern to the public, or should they be of concern to the accrediting commission, or should they be of concern to both?

Mr. FOWLER. Mr. Luman, I would like to kind of relate this to your last question about completions, and employment.

I think that one of the concerns that I have, and that many of the school people have also, is understanding such statistics and figures. What is a good graduation rate in a correspondence school? Is it three people who enroll and don't finish, isn't that awful, or is it, gee, we have four people who had a bad experience in high school and they had no opportunity and one out of four were able to finish and get a better job. Isn't that wonderful?

It depends on your approach and how it is explained.

In answer to your second question, if you look at a college or university, and the overall investment it has in the campus and the buildings and the maintenance of them, and the fuel, electricity, and what have you, what percentage of the budget is spent for instruction as compared with all of these? It would probably be relatively small.

I think that if you explain and look at the overall picture in a correspondence school, or any private vocational school, you might eventually be able to make something of this kind of statistics, but just providing raw statistics in this area, I'm not sure without some basis for understanding that it would really mean much.

Mr. LUMAN. Well, does that concern you as an accreditor?

Mr. FOWLER. Yes, very much so. The accrediting commission is very much concerned in the area of financial stability, as we have already discussed. It is of great concern to the accrediting commission at this time because of the schools I mentioned that lost accreditation for one reason or another, in most instances because of failure in management which resulted in a financial problem. This is an essential part of the analysis of financial information.

Our commission is working on and studying this area right now. It has developed a policy for gaining more information in the financial area. Yes, it is very much concerned, with the detailed operating statements of the schools. These give a feeling for the relationships between expenses in one area as against another, so the commission is concerned.

Mr. EHRLICH. Mr. Luman, there is a problem involved here. It is very difficult depending on what accounting method you use. You revise a program in home study, which basically you might use for the next couple of years.

You may find that a considerable part of that cost arose in a period of a year, and if you were on a cash system, then, you have a disproportionate amount of instructional costs as part of the program development for that year. This is part of the difficulty.

Now, from the accrediting standpoint, we get the financial information, and we get a chance to look at statements over a period of time, so we can see precisely what is or is not happening within the framework of that school.

Mr. LUMAN. Is NATTS accrediting also concerned with the ratio between recruitment and educational expenses?

Mr. **Goddard**. Well, we are certainly interested in all expenses and income sources.

Mr. **Luman**. Well, does that raise a red flag to you? For example, if you come to my school, and I say, well, the money I have taken from the students, I put back 20 percent on the average into the cost of instruction, and 15 percent in overhead, or a building, and so on, and 55 percent goes to my sales force and my advertising.

Would that concern you?

Or as long as I stay stable, is it all right?

Mr. **Goddard**. Well, the commission would certainly take that into consideration. I would not want to say that that's a good figure or bad, what you just used, because I am not up on the percentages.

But I believe that the commission would rightfully take that into consideration.

Mr. **Fowler**. And it would depend a lot on the kind of program the school is offering. For instance, if it is a school that has truckdriver training and has to have a fleet of trucks and classrooms, the percentage of budget spent for equipment and instructional service will be higher than for a school that would have only a correspondence course.

Mr. **Goddard**. Generally, it should be no different, or I should say, maybe it should be as broad as other types of industries.

The education industry has so many varied types of organizations within it, and I am sure there are some schools out there that spend as little as 2 percent of their total income on recruiting of all types, including advertising, salesmen, and so forth, but then there are others that go substantially higher, just as there are in automotive or other types of industry.

Mr. **Luman**. If a person is qualified to be either a teacher or a recruiter at one of your schools, which would he take to make the most money?

Mr. **Goddard**. You mean which pays more?

Mr. **Luman**. Yes, sir.

Mr. **Goddard**. It depends entirely on the school. There are schools, if that is what you are getting at, there are schools in which some of the recruiters might earn more dollars per year than some of the instructors, but then on the other hand, it could be quite the opposite.

Mr. **Luman**. Would that be a concern of the accrediting commission, if the salesman were drawing on the average 25 percent better salary than the instructor, or is that all right with you?

Mr. **Goddard**. No, it would certainly be of concern to us.

Mr. **Ehrlich**. That's one of the reasons why, Mr. Luman, we have extended the invitation to you to come on an accrediting visit. See how all these concerns are really handled, and the fact that they are handled. Then judge us on the basis of all the information you get. It is hard to weigh one factor out of context, unless you put all of the factors together.

Mr. **Hicks**. Gentlemen, that's the last word.

Thank you very much.

We will meet tomorrow morning at 9:30.

[Whereupon, at 12:10 p.m., the subcommittee adjourned, to reconvene at 9:30 a.m., Thursday, July 25, 1974.]

PROPRIETARY VOCATIONAL SCHOOLS

THURSDAY, JULY 25, 1974

HOUSE OF REPRESENTATIVES,
SPECIAL STUDIES SUBCOMMITTEE
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:30 a.m., in room 2247, Rayburn House Office Building, Hon. Floyd V. Hicks (chairman of the subcommittee) presiding.

Present: Representatives Floyd V. Hicks and Joel Pritchard.

Also present: Joseph C. Luman, staff director; and Lawrence T. Graham, minority professional staff, Committee on Government Operations.

Mr. HICKS. The hearings will be resumed.

Our first witness this morning is Mr. Odell W. Vaughn, Chief Benefits Director, Department of Veterans Benefits, Veterans' Administration, and he is accompanied by a number of persons whom I hope that Mr. Vaughn will identify.

STATEMENT OF ODELL W. VAUGHN, CHIEF BENEFITS DIRECTOR, DEPARTMENT OF VETERANS BENEFITS, VETERANS' ADMINISTRATION; ACCOMPANIED BY JOSEPH J. MULONE, DEPUTY CHIEF BENEFITS DIRECTOR; JUNE SCHAEFFER, CHIEF, POLICY STAFF, EDUCATION AND REHABILITATION; FRED BRANAN, DEPUTY DIRECTOR FOR RESEARCH AND BIOMETRICS, OFFICE OF THE CONTROLLER; AND JOHN KERBY, ASSISTANT GENERAL COUNSEL

Mr. VAUGHN. Mr. Chairman, I would like to begin by introducing the people who are here with me today.

Observing today, because he is new, is our Deputy Chief Benefits Director, Mr. Joseph J. Mulone.

Along working here with me this morning will be Miss June Schaeffer on my left, who is the Education Service Chief of the policy staff.

Mr. Fred Branan on my right of the controller's office, he is Assistant Director for Research.

And Mr. John Kerby, the Assistant General Counsel.

Mr. HICKS. Thank you. You may proceed in any way that you see fit.

Mr. VAUGHN. Mr. Chairman and members of the subcommittee, we are pleased to appear before you today to present the views of the Veterans' Administration on the vocational training programs for veterans and certain other eligibles.

The Veterans' Administration is responsible for administering three basic educational programs which provide education and training for veterans, servicemen, servicewomen, and eligible dependents. The first, and best known, is the GI bill. This provides veterans with the opportunity to attain the vocational and educational levels which they might normally have aspired to and obtained had they not served their country.

The second, the War Orphans' and Widows' Educational Assistance Act, provides educational opportunities to the children of severely disabled or deceased veterans, which they might have been able to obtain had it not been for the disability of the parent, for the wives and widows of such veterans, and for the wives and children of those individuals who are listed by the military departments as missing in action, captured in line of duty by a hostile force, or forcibly detained or interned in line of duty by a foreign government or power. The third, the Vocational Rehabilitation Act, provides vocational rehabilitation assistance for disabled veterans.

If the veteran elects to pursue a course that will qualify him for a civilian vocational objective, the law provides that the curriculum or courses pursued at the educational institution shall be generally accepted as necessary to fulfill the requirements for the attainment of a predetermined and identified vocational or professional objective (section 1652(b), title 38, United States Code). Such an objective is a recognized occupation that is listed in the Dictionary of Occupational Titles or one that is subject to listing in that reference.

The objectives of vocational school courses and job training courses are often stated in terms of a particular craft, such as carpenter, welder, automobile mechanic, sheetmetal worker or similar designation. The program selected by the eligible veteran or person must include the complete training needed to qualify for employment as a journeyman in the occupation selected. More than one professional or vocational objective can be pursued in the curriculum or courses if all the objectives are generally recognized as being reasonably related to a single career field. An example is the automobile body repairman who also needs welding training to perform the full range of tasks in his vocational objective (section 1652(b), title 38, United States Code).

A vocational school course may be authorized for an occupational objective if graduates of the course generally qualify for employment in the stated job objective. If there are licensing requirements in the State for the occupation, completion of the course must meet the requirements for taking the licensing examination.

If there are no licensing requirements, completion of the course must be generally recognized by prospective employers as qualifying for employment in the stated occupation. If graduates of the course cannot obtain employment in the community where the course is given because they are not considered qualified, the vocational course should not be authorized as a program of education. In addition, 50 percent of the graduates in the last 2 years in sales or sales management courses must be employed in these fields. Additional training for the same objective is considered refresher training, which is prohibited under the law. The law makes an exception where the student needs additional training at the secondary level to qualify for admission to an appropriate training program (section 1691(a)(2), title 38, United States Code).

An eligible veteran or person who has satisfactorily completed a vocational school or job training program is considered qualified for the stated occupational objective.

Vocational training may be obtained either by correspondence, residency or on-job training. In general, the determination of eligibility for the payment of educational assistance allowance is determined without reference to the type of school or type of training. Different rates of benefits are not paid merely because the school offering the training is a proprietary school as distinguished from a nonproprietary school. However, if the training is offered by correspondence, the rate of benefits is based upon 90 percent of established charges rather than the fixed monthly amount paid to students in residency type training. If the training is on-job type training, the monthly amount is less than that paid to resident students because the student also is being paid a wage by the employer. This wage must be less than the journeyman rate. If the student qualifies for the journeyman rate, he is considered to have attained his vocational objective.

Proprietary schools, the courses of which are not accredited, may not have more than 85 percent of the students receiving benefits from the Veterans' Administration or have all or part of the cost of the course paid for by the school (section 1673(d), title 38, United States Code). Nor, may the institution utilize advertising of any type which is erroneous or misleading, either by actual statement, omission or intimation (section 1776(c)(10), title 38, United States Code). Also, proprietary schools are required to have the course in operation for at least 2 years before veterans and eligible persons enrolled in the course may receive Veterans' Administration benefits (section 1789, title 38, United States Code).

In addition, correspondence course payments are made only if the statutory requirements as to contracts, contract affirmation and refunds are complied with by the schools (section 1786, title 38, United States Code).

Enforcement of these provisions of law is generally accomplished through the State approving agencies of the various States (section 1772, title 38, United States Code).

Mr. HICKS. I wonder if you could address that point.

Mr. VAUGHN. Yes, sir.

Mr. HICKS. Is the enforcement done through the State offices because the States want to do it, or because the Veterans' Administration forces it on them?

Mr. VAUGHN. No, sir. Due to the history of the educational system of the United States, the Congress saw fit in title 38, United States Code to establish that the States would govern their own school systems and would adjudicate or adjudge their school systems to determine whether or not they are adequate for training purposes, and this has been left under the State domain over the many years.

Mr. HICKS. Then as far as proprietary schools are concerned, those who get in a State that is not interested in enforcing anything can do as they see fit.

Mr. VAUGHN. Not necessarily, sir. If we receive a complaint within the Veterans' Administration and we notify the State approval agency of the problem that exists, or upon a compliance survey by our own people, and we do compliance surveys, if we find a discrepancy in the system in either the quality or the keeping of the record of the attendance of the veteran, if we find any of these things and we notify the State approval agency, if they do not act, then the Veterans' Administration has the authority at that time to act only as far as the veteran student is concerned.

The State approval agency would go beyond that, of course, and consider the veteran and nonveteran, but we can act without the State if we find it necessary, and we do do that on occasion.

Mr. HICKS. Thank you.

Mr. VAUGHN. Except in a limited number of exceptional cases, the Veterans' Administration does not approve courses. The Veterans' Administration seeks to achieve compliance with the provisions of the law by coordinating its actions with these State agencies and reimbursing them for the costs involved. In addition, the Veterans' Administration periodically surveys training institutions and establishments with its own staff to assure compliance with legal requirements.

While these surveys are made regularly each year as a matter of course, the Veterans' Administration also conducts special surveys of institutions if complaints have been received or if the records submitted by the institution to the Veterans' Administration reveal that there is probable cause for investigation. In calendar year 1973, a total of 2,666 cases were referred to the State approving agencies and 144 course disapprovals resulted. During the same period of time, 16 cases were referred to VA station committees on educational allowances and 13 resulted in disapproval of benefits for the course by the Veterans' Administration.

The most frequent problems reported to the Veterans' Administration have to do with the quality of the educational programs, the quality of the instruction, and the methods by which the student was induced to enroll. The largest number of complaints have to do with correspondence training courses. Many students do not believe that the training accorded truly qualifies them for the vocational objective sought. However, this is not a universal view. The residence courses are frequently complained of in terms of the equipment used for training. Sometimes it is found to be unsuited to the current industry standards. In every such instance, the Veterans' Administration refers the matter to the State approving agency to verify the facts and take appropriate action. If warranted, the Veterans' Administration also conducts its own investigation, particularly where elements of fraud may be involved.

In addition to the problems which the student may encounter from the institutions, the Veterans' Administration frequently receives inquiries regarding the failure of the student to receive prompt and timely payment of benefits to which he is entitled. We are at present implementing many basic changes in our processing procedures, to improve our service to veterans and eligible persons.

State approving agencies were created as a result of the specific requirements of the World War II GI bill (Public Law 346, 78th Cong.). They were continued under the Korean conflict GI bill (Public Law 550, 82d Cong.) and in the current program (Public Law 89-358).

Section 1771, title 38, United States Code, requests the chief executive of each State to designate a State department or agency to perform the duties of the State approving agency in the States. Section 1774, title 38, United States Code, authorizes the Administrator to enter into contracts to reimburse the States for the necessary expenses of salary, travel, and certain administrative costs incurred in the performance of the duties of the State approving agency.

Section 1772, title 38, United States Code, provides that courses offered for training eligible persons and veterans under the war orphans' and widows' educational assistance program (ch. 35, title 38, United States Code), or veterans and servicemen under the current GI bill (ch. 34, title 38, United States Code), must be approved by the State approving agency of the State where the school or training establishment is located or by the Administrator. The Administrator is only given specific responsibility for approving courses offered by Federal agencies or by schools located outside the United States.

Mr. HICKS. How long has that program been in existence?

Mr. VAUGHN. The educational program under the State approval system, sir?

Mr. HICKS. The widows and war orphans.

Mr. VAUGHN. Miss Schaeffer, do you have the date?

Miss SCHAEFFER. Wives and widows came in in 1968. The children have been in since 1956.

Mr. HICKS. Thank you.

Mr. VAUGHN. State approving agencies have the responsibility for approving courses given by all types of schools and training establishments. These include public and private schools, schools below college level, colleges, universities, hospitals, and apprentice and other on-the-job training establishments. The courses which are subject to approval run the gamut from such subjects as cosmetology, auto mechanics, and flight courses, to advanced residency courses for purposes of qualifying for medical specialty boards.

Some States have one approving agency to approve all types of courses and schools. Other States have two or more approving agencies with each having jurisdiction over particular types of schools. In States having more than one approving agency, the usual pattern is for its department of education to have approval responsibility for all schools, with its department of labor having responsibility for all training establishments offering apprenticeship and other on-the-job training.

There are currently 72 State approving agencies with whom the Veterans' Administration has contracts. These contracts for fiscal year 1975 will cost the Veterans' Administration about $12 million. In addition, the District of Columbia performs State approving agency work without charge.

In performing their work, State approving agency representatives not only visit schools and training establishments to make initial approvals for courses, but conduct, on a continuing basis, supervisory visits to schools and training establishments having veterans and other eligible persons enrolled in approved courses. In the event violations of approval criteria are discovered on supervisory visits, the schools may be cautioned and given a specific time to correct the violations; or where serious violations occur, the State approving agency may withdraw the school's approval.

In accordance with Veterans' Administration Regulation 14207, whenever the Veterans' Administration finds that a school may be in violation of any criteria required by law for enrollment of veterans, the Committee on Educational Allowances reviews the facts and recommends to the station head the action to be taken. The school may request a hearing before the regional office Committee on Educational Allowances.

If the station head approves the recommendation of the Committee on Educational Allowances, the decision becomes final unless within 30 days from the date the school is notified of the decision, it requests a review by the Central Office Education and Training Review Panel. At the Central Office level, the panel consists of a staff member of the Education and Rehabilitation Service and two consultants chosen from a group of non-Veterans' Administration employees selected for this purpose. There are a number of State approving agency representatives among the consultant group. If the Director, Education and Rehabilitation Service, concurs in the recommendations of the review panel, this becomes the final administrative decision of the Veterans' Administration. If the Director does not concur in the recommendations, the final decision is made by the chief benefits director.

In many cases, the Committee on Educational Assistance Allowances does not have to take action because, when the violations are called to the attention of the State approving agency, that agency contacts the school and either obtains a correction of the violations or withdraws the school's approval.

It is noted from your letter of July 2, 1974, inviting representatives of the Veterans' Administration to appear and testify, that it is the subcommittee's understanding that the schools with the largest number of Veterans' Administration supported students are the proprietary vocational schools. I would like to point out that unless proprietary correspondence schools are included, this is not correct. I have a number of tables providing statistical data on the number of persons enrolled in vocational type training, and the amount of benefits which are paid by the Veterans' Administration. It is requested that these tables be included in the record.

Mr. Chairman, this concludes my presentation. I will be pleased to respond to any questions you may have.

Mr. HICKS. Mr. Luman, you may proceed.

Mr. LUMAN. Mr. Vaughn, you note here that our statement about the number of veterans in schools was incorrect unless proprietary correspondence schools are included.

Mr. VAUGHN. Yes, sir.

Mr. LUMAN. Don't you consider them as proprietary schools?

Mr. VAUGHN. Correspondence courses are normally considered as proprietary schools, but I wanted to be sure that we separated these because we find that in the correspondence courses we need to look at those separately. We have received more complaints, I think, from correspondence schools than any other, but, yes, if you include the correspondence courses that would be correct.

They are the ones that we really have the most trouble with. That's why I want to separate those from the others.

Mr. Luman. But when we do include those, I think your top 12 or 10 schools are all proprietary schools in terms of number of veterans enrolled.

Is that correct?

Mr. Vaughn. That's correct.

Mr. Luman. I have here your forms pointing out the restriction that the veteran reads when he applies, and I see that restriction says, enrollment may be approved only for a program leading to an educational, professional, or vocational objective for which you are not already qualified.

Looking at the law, I see that the Administration shall not approve the enrollment of an eligible veteran in first, bartending courses, second, sales management, and third, any type of course which the Administrator finds to be avocational or recreational in character, unless the veteran submits justification showing that the course will be of bonafide use in the pursuit of his present or contemplated business or occupations.

Now, is there anything on your form that alerts the veteran to this requirement?

Mr. Vaughn. Miss Schaeffer?

Miss Schaeffer. On that same form, it does say that the law prohibits the approval of a program for recreational or avocational purposes such as dancing. This was the example given.

Mr. Luman. You know there have been a number of comments about the correspondence courses the veterans take which are really a way to obtain television sets or a set of mechanic's tools.

Is it possible for the Administrator to interpret these kinds of courses for people who are not going to go into that business and don't contemplate going into it, as avocational, recreational?

Mr. Vaughn. There would be, except that we do not know the intent of the veteran at the time he makes his application, and if the school has been approved and the courses meet the requirements of the State approval agency in the State in which the school itself is primarily located, then the Veterans' Administration, unless it finds some fault within the course itself, could not bar the veteran unless the veteran admitted that he was taking it as a recreational or for the purpose of receiving his television set.

Mr. Luman. In other words, you interpret it as the course rather than the particular veteran involved.

Mr. Vaughn. Yes, sir, that's right.

Mr. Luman. If the course for the veteran would be unbusinesslike.

Mr. Vaughn. Yes, sir, we would have to do that. There would be no way. The only people we would rule out, if we interpreted it on an individual veteran basis, are those veterans who would be honest enough to come and say, I am just taking this for the fun of it or for the television set, and you don't receive that type of response from a man who has read this warning and this instruction.

Mr. Luman. I don't know that the warning that Miss Schaeffer read to us is strong enough, frankly. I read in the Washington Post, and I know from personal experience, that some people who take a television repair course are not going to be television repairmen. If you take an individual, for example, who is currently practicing dentistry, I think it is highly unlikely that he is going to work in television repair.

Do you think really that statement that you can't take a dancing course is sufficient to tell him, to put his conscience in gear?

Mr. VAUGHN. Well, I doubt very seriously if anything that we stated on this form will really have the impact that it should have, and the reason why I say this is that I don't think there is anyone in the country that is more concerned over the abuse of the school system, and I am particularly talking about correspondence, than I am, and the Veterans' Administration has done a massive advertising warning veterans, and the Federal Trade Commission has an excellent book out on this same subject trying to warn people, not just veterans, but all people to watch out for this type of advertising.

This arm twisting that is done quite frequently by salesmen who try to sell correspondence courses—we are extremely concerned.

Mr. LUMAN. Mr. Vaughn, we have two problems here, don't we? We have the one problem that you just addressed, that is where the school defrauds the veteran, they twist his arm, they get him to sign up for a course for which he really isn't qualified, perhaps, or that he should not take.

I'm talking about a second type, where the school and the veteran together defraud the Government. That is, where I am a practicing attorney and I take a course in auto repair because I only pay 10 percent of the cost of that course.

Mr. VAUGHN. If the veteran is taking a correspondence course—we only pay for lessons completed. If the veteran is completing his license and that school is an approved school, and the veteran wishes to attend that school, we would not consider that he is defrauding the Government under the circumstances.

Now, at the same time, I want to be sure at the moment that I am defending it to that extent, that the dropout rate in the correspondence schools, the number of persons who actually end up with a trade, the objective of the course, the number that actually enter the trade, and they are training for it in a correspondence course, is so low, the dropout rate is so high that we are not happy with the correspondence system.

It is a system that has been here for some number of years, and it is accepted in this country as a method of training, and this is about what we are up against.

Mr. LUMAN. But are you saying then, that first, you agree that there are veterans who are enrolling in certain of the courses which provide a healthy dose of equipment, but probably have no intention of engaging in that line of work?

Mr. VAUGHN. It is possible, yes, sir. I think the evidence of the number of people who enter and/or apply even for the trade for which they are taking in the correspondence field is completely different from the other types of training. We are strictly talking about correspondence.

Mr. LUMAN. Now, if there are abuses being committed here, and money that could be used to send someone to the school who probably needs it more, that money is being spent for avocational purposes.

Are you telling us that there is nothing that the Veterans' Administration can do in the form of better notice in your application, or closer checking, to stop this?

Mr. VAUGHN. Absolutely, yes, sir. The reason I am telling you this is that the law does not prohibit correspondence courses. They are an accepted method of training in this country of education, and they are growing by the way, not under the name of correspondence but under several other names, off-campus names.

Mr. LUMAN. Of course now, the question is not directed to the correspondence courses per se. I am talking about a veteran who is taking a correspondence course when he is already well trained and practicing in another occupation, a veteran who is not going to go into that line of work, but is taking the course for the equipment that he gets as a result of completing it.

Mr. VAUGHN. The veteran is not required under the law to be counseled and a determination made concerning his new occupational objective, although he may be in one.

There is no prohibition in the law for him working toward a new objective. There is no requirement in the law for counseling unless he has failed and there is a second change of program involved.

As I have said, the problem that we are up against with the correspondence schools is that they are on the book. They are an accepted method of training, and the only time that you know the veteran's intent is after he has left the course, not while he is actually attending.

If he fails to complete the course, or if he leaves the course after graduation and does not apply what he has received in education in that course, this will be the only time you would know, and this would be too late.

Mr. LUMAN. And you don't ask him his intent when he signs the form?

Mr. VAUGHN. No, sir.

Mr. LUMAN. You think that might have some effect?

Mr. VAUGHN. I don't know.

I wonder, honestly, from all the warnings that the veteran receives, and all of the nonveterans receive with reference to some of the courses that are given in the country, you wonder what would do the job.

Mr. HICKS. How many students are we talking about in this type of school?

Mr. BRANAN. There were about 300,000 in April.

Mr. HICKS. And you spoke of three categories of students, Mr. Vaughn. Would you go over those again and give me the numbers of students?

Mr. VAUGHN. Yes, sir.

I think that the major categories, the three major categories would be your correspondence type of school——

Mr. HICKS. No, I mean of the three types of students, the veterans——

Mr. VAUGHN. Oh, I'm sorry, veterans, war orphans, the widows or wives of seriously disabled veterans.

Mr. HICKS. Now, that category. How many would be students in this type of institution?

Would that be a much smaller number?

Mr. BRANAN. Yes, sir.

Mr. HICKS. A significant number, is it?

Mr. VAUGHN. No, sir.

Mr. HICKS. An insignificant number. So that what we are talking about, as far as any significance is concerned, is the veterans, and that is the recent veteran, the Vietnam veteran, the Korean veteran possibly. It would not go back any further than that.

Mr. VAUGHN. No, sir.

The limiting date of the prior bills would eliminate going back beyond actually the post-Korean veteran.

Mr. BRANAN. May I define the answer. The number of wives and widows in training in April was 8,419, with 209 in correspondence schools. That is, wives and widows.

Mr. VAUGHN. Only 209.

Mr. HICKS. Not necessarily correspondence schools, but all these proprietary vocational type schools that we are talking about.

Mr. BRANAN. I am speaking only of correspondence schools. There are 209, in below-college training, from a total of about 1,944 wives and widows in schools below the college level. Sons and daughters are not eligible to train in correspondence schools.

Mr. HICKS. Thank you.

Mr. LUMAN. Comment has often been made that many of the flight schools in the country exist primarily because of the Veterans' Administration's willingness to pay for the benefits.

Do you see it in your role to look at the commercial pilot industry to determine if people who are going to flight school have a reasonable chance of getting a job?

Or are we back to the same criteria as before, as long as there are some people who can get a job, we will pay for training everyone who qualifies?

Mr. VAUGHN. First, at the beginning, after the World War II experience with reference to flight schools, flight schools were eliminated, and then they were brought back in by law, and then when they came back into existence the requirement was that a man should already have his private pilot's license and also have a medical certification that he is physically able to fly.

Beyond this point, if the school meets the requirements, we would not look to determine whether or not this man is going to be able to utilize it, on his first objective, unless he requests counseling or unless he is a disabled veteran, under chapter 31.

If this is his second time around, under counseling, we would advise the man at that time, and we keep a record in our counseling units as to the different vocations that are the ones that you should aim for, and the ones you should stay away from, depending upon the circumstances of the country at the time, but we have no control over the man's desire to take a flight course if he meets the medical requirements and has his private pilot's license.

Mr. LUMAN. What is the current picture for graduates? In other words, if someone came to you under required counseling and asked about a change to flight training, what would you advise him?

Mr. VAUGHN. Well, of course, that would be left up to the counselor, and the counselor would have to check the records to determine what the possibilities were at that particular time, and the reason I say at that particular time, for example for about 10 years, everyone decided to and the VA agreed with this, that they should get into the field of computers.

Then suddenly we saw a flood of it, and we had to change. Probably 10 years from now, we will swing back in the other direction, but it depends at the time that the person is going into training, what the market is for this person in the employment field. I would not be able to answer that, of course, but our counselor would be able to give that information to the veteran.

Mr. LUMAN. Could you, perhaps, for our record give us a general national picture of what appears to be the opportunities for graduates of flight school to obtain commercial employment, and the number of veterans that are graduating each year from flight schools?

Mr. VAUGHN. Miss Schaeffer?

Miss SCHAEFFER. We will furnish it for the record.

Mr. LUMAN. Thank you.

[The information referred to follows:]

FLIGHT TRAINING BY COURSE

	Cumulative through June 30, 1973	Trained during fiscal year 1973
Flight training—total	101, 521	43, 061
Advanced flight or commercial pilot	48, 314	24, 258
Airline transport pilot training	5, 612	1, 213
Glider training	578	35
Flight instructor course	18, 425	6, 313
Instrument rating course	14, 673	6, 163
Multiengine class rating course	9, 358	3, 066
Other flight training	4, 361	2, 013

Note: The above information was obtained from Alan Eck (961-5163) of the Occupational Outlook Quarterly, Department of Labor. Competition in the field is tough. Major airlines are hiring some; however, most of these are from the lists of furloughed pilots. The situation is a little better for jobs as pilots in business and industry. The increase in helicopter pilot demand makes that area the best in which to find a job as a pilot.

Mr. LUMAN. You mentioned the educational material that has been produced by the Federal Trade Commission.

Would you briefly describe what use you have made of that material, how many copies you have, how it has been distributed, and whether it gets to the veteran, and so on?

Mr. VAUGHN. First, I have submitted it to all of our regional offices in the country, where the material would be available in their waiting rooms, and for distribution.

Mr. LUMAN. How many of those do you have?

Mr. VAUGHN. How many regional offices?

Mr. LUMAN. Regional offices.

Mr. VAUGHN. We have 58.

Mr. LUMAN. OK.

Mr. VAUGHN. On July 27 of last year, we had an initial distribution, so that the stations and regional offices would be aware of this material, and then in the future, they could reorder as they needed the material.

Mr. LUMAN. OK.

Mr. VAUGHN. And I submitted a cover letter with this, stating that sufficient copies were being mailed by the FTC to allow a packet for each USVAC, that's U.S. Veterans Assistance Center, each counseling and rehabilitation and each guidance center, and then from there they would order them direct.

Mr. LUMAN. Do you have any idea how many of the VA brochures for the consumer have been passed out?

Mr. VAUGHN. No, sir. I don't think we have that figure.

Mr. LUMAN. Don't you have a problem in trying to use consumer education material of this nature, in that the veteran can enroll in a course without checking with your counselors or your regional offices at all?

Mr. VAUGHN. Absolutely. If it is his first training, he need not ever come to the Veterans' Administration at all, that is correct.

He could go apply in advance to enter the training or he could wait until the day he enrolls and apply for the training at the school.

Mr. LUMAN. Have you produced any consumer education material of your own?

Mr. BRANAN. Only for correspondence school applicants.

Miss SCHAEFFER. We have an information bulletin on the correspondence course, but nothing on the total proprietary vocational course field.

Mr. LUMAN. What has been the distribution of that information bulletin?

Mr. VAUGHN. It again has been distributed in a much higher volume than the FTC material, as a matter of fact, to the regional offices, and it has also been established that it would go out with the packet, I believe, from the Austin center when we send the computer information.

When a man is separated from active duty, we receive at Austin a copy of his form DD214, separation document, and from that form we send a packet to the veteran with an application in it, and with a reference to this material to warn him.

Mr. LUMAN. So this is one of your contacts with the veterans, then, as soon as they become veterans you send them a mailing.

Mr. VAUGHN. Yes, sir. Before that, we have also distributed this particular one, the one on correspondence, through the military because we are more concerned.

I think the most serious problem that we have is the correspondence field, and we distribute those to the Department of Defense so they in turn can distribute them throughout their system and their education offices.

Mr. LUMAN. So then we have a mechanism to put before an about-to-be veteran or a recently made veteran, some type of consumer warning or suggestions, or what have you, about the training that he is eligible for.

Mr. VAUGHN. Yes, sir.

Mr. LUMAN. Your law gives the Veterans' Administration certain power to act against institutions. One of those requirements is that an institution may not utilize erroneous advertising. As you know, there have been complaints in the proprietary school industry.

Can you give us examples of where you have taken action against a school for violating this provision?

Mr. VAUGHN. Yes, sir. Actually, most of the time the violations are called to our attention, and I think the biggest violation is a statement that you see in advertising. I saw one just this past week that I called to our people's attention, of a school advertising that they were Veterans' Administration approved.

This seems to give the veteran the feeling that the school is a good school, because the Veterans' Administration has approved it. If it is within the United States, and as I pointed out, unless it is a Federal school, the VA does not approve the school. They are approved by the State approval agencies.

We notify the school and give them a warning. In some instances we find that the school just didn't realize that that was misleading advertising.

This really is the biggest violation, but we have run into other types of violations.

One school that I remember, when I was director of the regional office in Florida, advertised that the veteran did not have to go to school but *x* number of hours per week, and he could receive $220 per month. The story was true, but the advertising sounded as though they were trying to entice the veteran to enroll in the school merely for the fact that he would not have to go. It was a credit hour school so that he would not have to go many hours in order to get this money. This is another example of a type of advertising.

Mr. LUMAN. Now, both those examples, however, concern advertising directed at the veteran.

I presume, the way the law reads as you cited it in your statement, that you can take action if you chose against misleading advertising in general, guaranteed jobs, or——

Mr. VAUGHN. Oh, yes, sir.

Mr. LUMAN. Or make tremendous salaries, and so on. Have you ever done that?

Mr. VAUGHN. The advertising wouldn't have to reflect directly to the veteran.

If we have veterans in that school, and the advertising were directed to the general public even, we should take action, but our action would only exist as far as the veteran is concerned. Then it would be up to the State approval agency to recognize the action we have taken and determine whether or not the school itself should continue to operate.

Mr. LUMAN. How many times would you estimate you have taken that kind of action in the last year?

Mr. VAUGHN. Miss Schaeffer?

Miss SCHAEFFER. This could be relating back to the Committee on Educational Allowances. These stations would take their own action in reporting to the State approval agency.

If they did not take action, then it would go to the committee. We are not aware at this time how many actions concerning poor advertising have been taken.

Mr. VAUGHN. Actually, what we do first, if you were sitting in a regional office like I have some years before I came to Washington, when you saw this advertising or it was brought to your attention, and usually it comes to your attention from some veteran who is away from the actual regional office areas, somewhere out in the field, because the weekly newspapers, for example, are used quite frequently by these people. The regional office director at that point would determine what action should be taken.

He would contact the State approval agency and call it to their attention, and indicate that we would not condone it. He would contact the school officials and state that if this advertising is not pulled off, the Veterans' Administration would have to discontinue any additional veterans in training at that school.

The State could close the school. The VA cannot close a school. It can only withdraw the veteran.

Mr. LUMAN. But you have got a powerful lever there though, do you not?

Mr. VAUGHN. Yes, sir, very powerful.

As a matter of fact, there are instances, and I have been told by schools, if you pull the veteran out, the school will close.

This is getting even more true now that we are seeing, in your private institutions, for example, a drop generally, not veteranwise, but a general drop in enrollment.

Schools that used to have one opening for several applicants, for example, in private schools don't have that any longer, so as a result, if we pull our veterans out of the school, it does sometimes close the school.

Mr. LUMAN. So that you can act perhaps more decisively; and you can act as the FTC can act.

The law gives you the authority, and when you get a complaint from a veteran that the advertising of the school is misleading, you can check it out and if you find it was so, you can move rather swiftly, can you not?

Mr. VAUGHN. Yes, sir.

Mr. LUMAN. Going to that school and saying, this stops, or no more veterans can attend your school.

Mr. VAUGHN. It is done very regularly. From my own experience, I know it is done very regularly, and we find ourselves notifying the schools, not only the same schools over and over again, because the schools have recognized the fact that we do take action, and I think this has helped us quite a bit.

Mr. LUMAN. Could you provide for us, if you could, perhaps for some period of time, let's say the last year, to allow time for reporting lag, the number of times that you have received complaints from veterans and what action has been taken, or that you have acted?

Mr. VAUGHN. We will try, yes, sir.

As I say, we have 58 regional offices, and we will try to compile a number for you.

Do you have a timetable on your committee for this hearing, for presentation?

Mr. PRITCHARD. Well, we would just like to get on with it as quickly as possible. Maybe instead of trying to do all 58, you can give us examples, take just several regions.

[The material referred to follows:]

BASIC INSTITUTE OF TECHNOLOGY—ST. LOUIS, MO.

Veterans complained that instructors were on strike. The training at the school was inadequate because of substitute teachers. The State approving agency investigated and found the substitute teachers were less than qualified. The day after the investigation the strike ended. No further action was taken by the SAA.

ST. LOUIS TECHNICAL INSTITUTE—ST. LOUIS, MO.

The school's center in Florida was not approved. Veterans were told they could go to the Florida center and receive benefits based upon approval of courses and certifications at the St. Louis school. Veterans in Florida complained of inadequacy of training.

After an investigation, the St. Louis operation was suspended. The Director of the school was informed that the suspension would continue until he disassociated himself with the Florida operation. Refunds were to be made to the students in Florida.

The Director disassociated himself with the St. Louis school. Since he was the only one there associated with both schools, the suspension was lifted. If any of the contracts signed by the students in Florida stated St. Louis Technical Institute was the contracting school, refunds were still required to be made.

LYONS TECHNICAL INSTITUTE—PHILADELPHIA, PA.

Veterans complained that an instructor was not qualified. The State approving agency investigated and found the complaint was not substantiated.

DARYL SCHOOL OF TRADES—PHILADELPHIA, PA.

Veterans complained of the course content. State approving agency investigated and found the complaint was not substantiated.

ACADEMY OF STENOGRAPHIC ARTS—SAN FRANCISCO, CALIF.

Veterans made several accusations about this school. The SAA investigated the complaints and found the evidence offered was not sufficient to justify action against the school. The following areas were investigated: instructors, method of teaching, overcrowding and fire and safety hazards and extortion and blackmail.

Mr. PRITCHARD. You work with a number of States, do you not?

Mr. VAUGHN. Yes, sir.

Mr. PRITCHARD. Do you find there is a difference from one State to another in how the schools are policed?

Mr. VAUGHN. We have with us in one of our attachments today a listing of each State and the number of instances where there have been complaints, and the number of actions taken, and the number of complaints that had to be later referred to our education allowance station committee. This will give you some basic answer, just by individual State, and it does vary from State to State, and it does not particularly indicate here that the size of the State always has a bearing on the number of complaints.

Mr. GRAHAM. Mr. Vaughn, which chart are you referring to?

Mr. PRITCHARD. I want to get at it right now.

Mr. VAUGHN. It is the last chart you have there.

Mr. PRITCHARD. The adjudication and educational activity for 1973?

Mr. VAUGHN. Yes, sir, the year ending December 1973. It gives the listing by State, and the total number of referrals.

Mr. PRITCHARD. All right, and you say they go generally by the size?

Mr. VAUGHN. No, sir, I said, if you will notice from the listing, they do not necessarily go by size. I would suspect that the State approval agency in that particular State has quite a bit to do with how rapidly they take action, and what action is taken.

But if you will notice in the totals, we have 499 that were referred and 60 courses during that same time period were disapproved.

Sometimes you find that you get your reports from people other than the veteran.

For example, I'm thinking about one particular school I have recently been involved with, and a particular teacher who is disgruntled when he leaves the school, and makes a complaint against the school. Sometimes when you track it down it is a valid complaint.

Mr. **Pritchard**. Well, it is fair to say from this that it makes a great deal of difference how the State operates, and if the State is really doing its job, and if it has a proper agency out there, it pretty well does most of the work for you.

Mr. **Vaughn**. Yes, sir, under the system of education in the country, it has been pretty well accepted that the State would have the responsibility of policing its own school systems, but if you will notice, if you move across this line, 499 were referred to the State approval agency, and 60 of them were courses that were discontinued. As you move on across, you will see how many of the cases had to be referred to our Committee on Educational Allowances for a determination.

Mr. **Pritchard**. Practically none, then.

Mr. **Vaughn**. That is correct.

Mr. **Pritchard**. It was cleared up at the State level?

Mr. **Vaughn**. There were five referrals, and three of these were disposed of.

Mr. **Pritchard**. So out of 499 complaints, why almost all of them except for just a handful here were taken care of right at the State level.

Mr. **Vaughn**. That is correct, yes, sir.

Mr. **Pritchard**. Do you have some feeling about whether certain States do a good job, or certain States do a bad job, or do you want to indicate that?

Mr. **Vaughn**. I would prefer to not indicate that, but of course we know that there is a human element involved in the State.

The VA has not withheld funding. Our contract is based upon the need of the State, and you will notice that there is funding remaining at the end of each year, after we concur in their contract, there is funding left over.

Usually, it is because some of the people that we have funded for on a State level were out sick, or there is a lag time in filling vacancies, but anything that has happened with reference to the approving agencies has not been because of the fact that we have cheated on our contract, so to speak.

We have been very certain that they needed the money, and it is based on the number of contacts with the schools, by State.

Mr. **Pritchard**. Well, what I am kind of driving at is, I would like to see the different agencies that bear on this problem lean on the States, particularly those States that do not have a proper enforcement agency and do a proper job.

Mr. **Vaughn**. One of the things I have done, just this past year, was the getting together of their people and ours for a training program.

This past year, we approved a training session divided up by the regions of the country where our people would meet with them and go over the problems of each of the States and hoping, and I feel it will have some impact on those particular State approval agencies that have been lax, in a training session with our people and with listening to the other officials from the other States, we feel that this will have a better impact in the future.

Mr. **Pritchard**. This is something that hasn't been done in the past?

Mr. **Vaughn**. No, sir, we have not had it in the past. They have always had an annual meeting.

Mr. **Pritchard**. I know annual meetings are one thing and training sessions are another. I have gone to annual meetings.

Mr. **Vaughn**. I might mention something else along that line that we did just recently. In the past years, our compliance survey people, the Veterans' Administration compliance survey staffing in the regional offices was a part of the Adjudication Division which processes other work, and a man one day, for example, would be processing applications for schooling. The next day he would be on the road. His training was not that of an expert.

I have removed those people from the adjudicative process completely and placed them in our Veterans Assistance Division, and identified the individual people as compliance survey specialists.

Mr. **Pritchard**. How many do you have?

Miss **Schaeffer**. We can furnish that.

Mr. **Pritchard**. Well, roughly.

Mr. **Vaughn**. Well, every regional office has a minimum of one, and the larger offices have three to six. Under this new system that I have devised, by bringing them in and establishing these people as specialists in this field, and we have also established a training team in the central office here to go out and train these people for this particular job only, and in the future our compliance survey—we will increase the number of surveys we will make, and we also will at the same time give a better quality of survey, and we have also accepted at the same time the OEO responsibility under title VI, to do that along with the rest of our survey to make sure that the faculty—there's no discrimination in the faculty operation.

Mr. **Pritchard**. Do you have any problem as far as sharing your information with the other governmental agencies?

Mr. **Vaughn**. No, sir, none at all.

Mr. **Pritchard**. Do you feel there is a good flow of information?

Mr. **Vaughn**. Yes, sir.

Mr. **Pritchard**. That is a little counter to what some others are saying.

Mr. **Vaughn**. Well, particularly for example, I think that one of the fields of our educational system that is also involved with another agency is your flight training operation.

We have excellent cooperation with FAA.

Mr. **Pritchard**. There is a great deal of difference as has been pointed out before.

Mr. **Vaughn**. Of course, our survey system is a little stronger in the flight training field than it is in the other because the discrepancies are higher. You find the complaints higher, and also the discrepancies of flight schools higher.

Mr. **Hicks**. What about the Office of Education, Social Security, do you have any formal setup, any interagency setup?

Mr. **Vaughn**. With Social Security?

Mr. **Hicks**. And the Office of Education.

Mr. VAUGHN. Not for this particular program, no, sir. Oh, excuse me, the Office of Education, that is under HEW, and we do have, yes, sir, we have an ongoing relationship with them, all the way to the extent that Dr. Rose, who is in the Department of Defense, and I'm trying to remember the name of the man who is in charge of the Office of Education program for HEW.

Mr. LUMAN. John Proffitt?

Mr. VAUGHN. Yes; we meet regularly, we have regular meetings with these people.

Mr. HICKS. Regarding this type of school and training and the people that you have in the program, and looking at the Office of Education, their funding whether it is guaranteed loan or whatever; you all have the same problem, do you not?

Mr. VAUGHN. That is correct.

Mr. HICKS. You are all interested in getting some kind of a quality education.

Mr. VAUGHN. And we have had no problems in dealing with them. As a matter of fact, in the last few weeks we have been dealing very closely with Dr. Rose in the Department of Defense, under our PREP program overseas, trying to work out arrangements for their educational offices to have a greater impact on the surveillance of the schools because these schools, even on shipboard under the PREP program, it is very difficult unless you have someone onboard to watch the schools and make certain that the work is being carried out properly, so we have been working quite closely with Dr. Rose in the last few weeks.

Mr. HICKS. Now, just as a for instance, how often does someone from your office meet with someone from Mr. Proffitt's office?

Miss SCHAEFFER. There also is the Federal Interagency Committee on Education, of which we are a member. They have various segments. Their meetings are scheduled as necessary.

It's difficult to pinpoint how many times this would occur during a month.

Mr. HICKS. Well, what would be a typical problem in this field that would come up at one of these meetings that you would have?

Can you give me a for instance?

Miss SCHAEFFER. Since I am not a member of any of the FICE groups, I cannot give you a particular instance. However, I would say that the accreditation problem could be one of the issues involved in it.

Usually, these groups meet on the problem of the moment, if this would be the problem, this would be the discussion.

Mr. HICKS. Now, accreditation as far as the Veterans' Administration is concerned, is paid for by the Veterans' Administration to the State, is that correct?

Mr. VAUGHN. No, sir. The approval of the course, you mean.

Mr. HICKS. What is the difference between accreditation and approval?

Mr. VAUGHN. For approval of a course, the school need not be accredited. Normally, your accreditation of the school would be established by the Department of Education.

June, do you want to explain that?

Miss SCHAEFFER. The approval of accredited courses and the approval of nonaccredited courses is provided for in the law.

There are various elements that the State approving agencies have to see that this course is complied with before it can be approved. Under the accredited, they can accept the accreditation of the Commissioner of Education, or they can reject it based upon their own determination. We are not bound by that either.

Mr. Hicks. Well, we have been talking about approval here, and approving agencies, and that the approval is done by the State, and that the Veterans' Administration pays these approving agencies. Yesterday we had people in here talking about accreditation, and I would like to have separated out for my benefit—the difference between accreditation and approval. It is my understanding that all of accreditation is not done by the Office of Education. It is done by the States, and it may not be a State organization at all, but as long as the State organization authorizes.

Mr. Vaughn. No, sir, the State organization may accept a group of accrediting officials from a system of schools.

The difference that we are distinguishing between an accredited and nonaccredited school would be that a nonaccredited school we recognize normally as functioning on a clock-hour basis.

An accredited school would be a school that is operating basically on a credit hour basis.

Now, the strange thing here is that you can find, and we do have schools that operate both, schools that have accredited and nonaccredited courses. Their accreditation is limited only to certain types of courses, and usually that is higher degree courses.

Mr. Hicks. What is an example of a State approval agency?

Mr. Vaughn. Well, in some States you have one single approval agency. That agency, and I will give you the State of Georgia for example because it is one that I am quite familiar with—the State department of veterans affairs also has a responsibility for the approvals for that particular State, and it is divided into two operations.

One is the operation that handles the accredited schools within the States. That is the institution of higher learning basically, and the other would be handling your vocational type schools and your on-the-job training.

Now, the methods that they use in approving, if the Veterans' Administration receives a request either from the veteran or from the school, if it be recognized, we notify the State approval agency and they send someone from the approval agency to go over the school system and make a determination, based on the criteria of that individual State, and it can be different, one State from the other, based on the educational system of that State.

Mr. Hicks. Well, we may be getting into some elementary things here that I should know.

Mr. Vaughn. That is all right, sir.

Mr. Hicks. But I am going to pursue it anyway. Approval means approval of what?

Mr. Vaughn. The State approval agency may approve an individual course and deny the approval——

Mr. Hicks. It is approved as a course that veterans can take?

Mr. VAUGHN. That is correct, and if it is a private school, for example, the Veterans' Administration would still say that the school must be in existence for a period of 2 years, and this is based on some early World War II experience of overnight schools, and also states that the school must have a ratio of 85 percent, not more than 85 percent veterans, to establish it as a public type of system.

Mr. HICKS. You mentioned early on in your testimony, if I understood you correctly, that the law required that a State approval agency do the approving.

Mr. VAUGHN. With two exceptions. One, if it is a Federal school, and we have several of those——

Mr. HICKS. Well, I'm not interested in the exceptions. I'm interested in general. You did say that?

Mr. VAUGHN. Yes, sir, I did.

Mr. HICKS. All right. Now, at the time that that law was passed, were there approval organizations in being in the States?

Mr. VAUGHN. Yes, sir.

Mr. HICKS. And they were all different kinds? One might be a veterans organization, the other might be a school superintendent, or a State superintendent?

Mr. VAUGHN. No, sir. At the beginning of the GI bill, normally the approval agency for the individual State was determined by the Governor.

Quite frequently, it was an appointed position where the individual would determine. The growth of the school system has changed it.

Mr. HICKS. Well, before the GI bill, who were they approving for?

Mr. VAUGHN. They were approving some of the schools in some of the States. In most of the States, they were already in existence to determine whether or not the school met the requirements of the State education system of that particular State.

Mr. HICKS. All right, now what is the difference between that and accrediting?

Mr. VAUGHN. June?

Miss SCHAEFFER. There are six regional ones, as well as multiple professional type accrediting agencies.

I think most of us are familiar with these—like the Northwestern Accrediting Association.

Mr. HICKS. Now, it is my understanding, in talking to the accrediting people, that they are the ones who come in and say, yes, a minimum standard has been set.

Miss SCHAEFFER. This is correct.

Mr. HICKS. All right.

Now, we are distinguishing between accrediting and approval, and I'm not clear in my mind what this distinction is, except that the accrediting agency can be a private organization.

Now you say there is a public organization or a public figure, you say the Governor in some instances, or maybe in all instances, appoints this individual, that he is the approval officer.

Mr. VAUGHN. Yes, sir.

Mr. HICKS. All right. What does he do other than put the stamp on the accreditation that has been given by someone else?

Miss SCHAEFFER. He would put the stamp on if he agrees with the accrediting association's findings. He also has other criteria based upon the law that would be necessary for him to vouch for a veterans course training.

Mr. **Pritchard**. Now, when you say the law, you mean State law.

Miss **Schaeffer**. No, sections 1775 and 1776 in title 38, U.S. Code set out the provisions, and they differ for accredited and nonaccredited courses.

Mr. **Pritchard**. But the State-appointed person is making the judgment on Federal laws, is that correct?

Miss **Schaeffer**. That is correct. He is like our agent in doing this job.

Mr. **Hicks**. And that's just because Congress said so in the statute.

Miss **Schaeffer**. Right.

Mr. **Pritchard**. And you pay the money?

Miss **Schaeffer**. Yes.

Mr. **Vaughn**. If you look at the history of Congress, when it made this determination, if you go back and see the reasoning behind it, it normally has been acceptable in the United States that each individual State had full authority to determine the type of education that would be acceptable for that State. Of course, I would not be a judge as to whether that is good or bad, but it has been that way in this country since its existence. When the bills were being presented to Congress, the arguments were presented in connection with who is going to be responsible for those schools' approval in these individual States.

Congress at that time determined that it would be the same Government level that it had always been in the past, to determine whether or not the school system of that State was adequate or not adequate.

Mr. **Hicks**. All right. It isn't necessary, if I understand it, in all instances to be accredited to be approved.

Mr. **Vaughn**. That is correct.

There are probably more approved courses than there are accredited courses, I imagine.

Mr. **Hicks**. Now, you are talking about individual courses and not schools?

Mr. **Vaughn**. That is correct, sir.

You could have a school that would have accredited and nonaccredited courses in the same institution. We have a number of those.

Mr. **Pritchard**. That opens the door for somebody to advertise that they are approved or accredited, and yet you could go and take a course from them, and it wouldn't fall under that section, would it?

Mr. **Hicks**. We had an example of that in California.

Mr. **Vaughn**. Right. We even have examples of students in the same school attending accredited and nonaccredited courses and receiving a different rate of pay based on the number of hours of attendance.

Occasional courses are normally measured, for example, in clock hours. They do not necessarily meet the accreditation standards. The accredited institutions of higher learning, in particular, are measured in credit hours, and based on the credit hour system, then we would pay that person by the number of credits or credit hours he receives rather than the clock hours of actual attendance.

Mr. **Luman**. We have had it explained to us that there is a tripod here of forces at work in the proprietary school area. One is accreditation by organizations such as the National Home Study Council. The second is State licensing which all States do not do. The third is the conditions of Federal eligibility, which in the Office of Education is the condition to get an insured loan, and in your case, it is executed through a State approval agency, is that correct?

Mr. **Vaughn**. That is correct.

Now, we have the problem on occasion when we get together—earlier, it was asked what do we discuss, for example, when we have a session: one of the things that has come up is a difference of system where the Office of Education would be recognizing a school or the granting of a loan at the same time that we had said that the veteran should not even be in that school, and we have discontinued the school. This is one of the places where we do sit down and try to discuss the problems of the individual school and say that it would look better if the Federal agencies work together on what they are doing.

Mr. **Luman**. The accrediting associations were here yesterday. They pointed out that they couldn't do the job alone, and that accrediting by itself was insufficient. There had to be an effective State licensing arrangement and an effective Federal eligibility arrangement, and yet if you look at your approval criteria, it appears that basically the State approval agency, except for checking the hours that the veterans go, et cetera, can approve a course that is accredited.

Now, if the accreditors themselves tell us that that is not a sufficient safeguard, how can this be?

Mr. **Vaughn**. The safeguard that we would apply, sir, would be after this approval by the State approval agency. The initial determination of the quality of the school's educational system is in the hands of the State approval agency under the law.

Mr. **Luman**. And the law lets the State approval agency make that determination solely on the basis of accreditation, does it not?

Mr. **Vaughn**. June, do you know?

Miss **Schaeffer**. It may. It is not required to.

Mr. **Luman**. It is not required to, but it can.

Miss **Schaeffer**. Yes.

Mr. **Vaughn**. It could be.

Mr. **Luman**. OK.

Mr. **Vaughn**. The State organization would make its own determination as to whether or not they would accept the accreditation as evidence of it being a quality school, or whether they would want to make their own inspection of the records and the method of training in the school.

Mr. **Luman**. See, what is disturbing is that the accreditors themselves contend that their process, while a worthwhile one, is in itself not a sufficient safeguard.

There should be good State licensing.

Mr. **Vaughn**. I think that is absolutely correct. I agree with that.

Mr. **Luman**. So that in those States that do not have good licensure laws, then we are running a risk if the State approval agency just approves on the basis on accreditation, aren't we?

Mr. **Vaughn**. Yes, sir, up to a point. That is, based on complaints the Veterans' Administration has the right to step in on its own to make our own determination, and without the State having discontinued the school itself, we can withdraw our veterans from the program.

Mr. **Luman**. Do you find that your exercise of this right is much greater in States which do not have effective licensing laws?

Mr. Vaughn. That is hard to measure because different States have licensing laws for some trades and not for others, and when you move to the next State the same thing applies. The plumbing firm in one State may have certain licensing that they must do to accept a person in their apprenticeship program and for the journeyman job; another State, you would not have it for that trade but you would for another.

Mr. Luman. We have been told, for example——

Mr. Vaughn. I don't think I could give you a response based on individual States.

Mr. Luman. Well, I understand that Missouri does not have a State licensing law. I think someone testified to that, is that correct?

Mr. Vaughn. I don't know, sir.

Mr. Luman. And that Indiana does have a very tough licensing law.

Now, would that mean anything to you in terms of how you use your Veterans' Administration school checkers, which I assume are checking on the States?

Mr. Vaughn. No, sir, because the licensing determination as to whether the veteran has sufficiently progressed to the licensing stage——

Mr. Luman. I'm talking about licensing of the school, not the trade. I mean, to operate a proprietary school in the State of Indiana, you have to meet certain requirements of that State. We were told that in other States—I think about 13—there is no licensing law, that you can just open up a proprietary school.

Mr. Vaughn. I don't think we have found that the States that do not have a licensing law are, as a whole, that much different from the ones that do require licensing.

I think licensing is one of the policing actions, but I think we have others.

Mr. Hicks. Do you exercise your prerogative to withdraw approval or withdraw evidence, or whatever your terminology is?

Mr. Vaughn. Yes, sir. I'll give you an example. We have a hearing that will be this next week, and we advertised this is a public hearing to make a determination whether we will withdraw our students from an individual school. If we make that determination, the school has already told us that they will have to close their doors, to give you an example, and this is a school that originally started as a very excellent school.

It tacked onto its program a subcontractor in the PREP field, and the PREP field has, we've found, many violations. At this point, it has gotten up to our central office level, and we have scheduled a hearing, and I pointed out the type of hearings that we have here in Washington, but it has reached our level so we do sometimes have to exercise a determination even beyond the regional office level.

The first determination would be made by the regional office director, that man out in the field who is dealing with the State itself. If there is an appeal on this within 30 days from his determination, then it would come on to our office.

Mr. Hicks. How often have you done that in the past year?

Mr. Vaughn. I think we have probably had—I think we have a figure here—there is a chart in the statement that will give you the number of instances where we have had to intercede. It's listed under the Committee of Educational Allowances, and it indicates that we have disposed of, we have had five referred and we disposed of three.

Mr. Luman. That is on the basis of how many schools?

Mr. Vaughn. There were five schools referred to the Committee on Education.

Mr. Luman. I mean how many potential schools?

Mr. Vaughn. Well, if you move back over to the figure of the number of cases referred nationwide for that last year, there were 499 referrals.

Mr. Luman. Yes, sir.

Mr. Vaughn. Nationwide, and they were all resolved before they reached our level, except five that were referred to our committee.

Mr. Luman. Now, this is out of a universe of—I don't know, one of your charts shows that you have 14,000 schools maybe.

Mr. Vaughn. This last pay that we had, we had 14,269 institutions that we paid some allowance to for enrollment.

Mr. Luman. And three of those were found to be not eligible for the program, as a result of these processes?

Mr. Vaughn. At our level, and 60 at a lower level before it reached Washington, and we are speaking of the courses now and we are speaking of veterans. You know, that is the limit of our existence.

Mr. Hicks. Are you satisfied with conditions as they exist in the proprietary schools or any schools?

Mr. Vaughn. I think I would have to be safe in my response. I would have to say that I don't think we are ever satisfied.

Mr. Hicks. What program have you got ongoing, to try to get more nearly satisfied?

Mr. Vaughn. The change that I mentioned, that I implemented during this past year, of the compliance survey team of a specialized and separate group of people, rather than a part of the overall adjudicative process, the setting up of a veterans liaison system where we have veterans' liaison people dealing with the school system, those things.

Mr. Hicks. Now, this team that you set up, how many people are on it?

Mr. Vaughn. A team is located in each regional office. At the smallest regional offices in the very small States, you would find only one liaison representative, and one compliance survey representatives.

In the largest States, it could mean as many as five, six, or seven.

Mr. Hicks. Well, these are the same people that you mentioned before, then.

Mr. Vaughn. Yes, sir.

Mr. Hicks. You call them a team on one hand, and on the other hand they are just the officers there.

Mr. Vaughn. Yes, sir, well it depends upon the size of the regional office whether or not it is an individual—where one or two States, for example, only have four or five schools to oversee. This compliance man would go to those schools.

Mr. Hicks. Now, that is an additional duty, in addition to something else, is it not?

Mr. Vaughn. No, sir, that's what I say it was, until this year, and we have removed it from the combined duties and made it a specialized system by itself, a special team.

Mr. Hicks. Well, I'm a little slow this morning, so I appreciate your being patient with me.

Mr. Luman?

Mr. Luman. Is the function of this compliance team to check on the adequacy of the State approval agency?

Mr. Vaughn. No, sir. I would think that, I would rather put it in a different manner, unless it is based on a complaint, it is for the purpose of making our own evaluations of the schools.

Mr. Luman. You know, this is a perennial problem, it seems, when the Federal Government funds the States' activity, to make sure the performance is up to Federal standards.

We have had hearings, for example, on nursing home safety, and have had Federal inspectors go behind State inspectors to see how well the inspections have been conducted, and there were problems. Don't you do this with your compliance people?

Mr. Vaughn. Oh, yes, sir, yes, sir.

Mr. Luman. What do you do if you find a State isn't doing a good job?

Mr. Vaughn. If we find a problem with reference to the compliance of that school, the report goes to the State approval agency, absolutely, to point out to them the deficiencies of that school.

Mr. Luman. Well, what if you find that the State isn't doing a good job?

Mr. Vaughn. We're still required——

Mr. Luman. You're paying for them, right?

Mr. Vaughn. Yes.

Mr. Luman. And suppose that you say, we're not getting our money's worth, we've gotten complaints that schools that you approved—we checked and you shouldn't have approved them. What do you do then?

Mr. Vaughn. Well, we compile a report to the State, but beyond that point, we still are bound by title 38, U.S. Code.

Mr. Luman. So you have to keep paying them.

Mr. Vaughn. Yes, sir.

Mr. Pritchard. The only thing I don't understand is that you say, really, you don't find much difference from one State to another.

Mr. Vaughn. In the State approval agencies?

Mr. Pritchard. Yes.

Mr. Vaughn. No, sir, there is a difference.

Mr. Luman. But you said that the schools that are approved in a State basically because of accreditation, where the State did not have a licensing law, generally were no different than in a State who had a tough licensing law, and even the accreditors told us that you need a tough licensing law.

Mr. Vaughn. No, I certainly think that a tough licensing law would help. I would not state that a school in a State without a tough licensing law would necessarily be more lax than one that is in a licensed State. You have some schools and some courses that are just as good in a nonlicensing State, but absolutely, I agree. I think that we need the licensing laws in the States. There is no question about it.

Mr. Hicks. I want to follow this compliance office that you have established here a little bit further.

What is the total number of compliance officers you have got in the United States?

Mr. VAUGHN. We can get that figure for the record.

[The information referred to follows:]

As of July 30, 1974, we have 109 compliance specialists, 53 liaison officers, and 3 performing dual functions.

Mr. HICKS. That is not in any of your charts?

Mr. VAUGHN. No, sir.

Mr. HICKS. Do you have a ballpark figure?

Mr. VAUGHN. No, sir. I know we have 58 regional offices, a minimum of 1 in each office, and that would depend upon the size.

Mr. HICKS. So that you have at least 58 and you might have 258?

Mr. VAUGHN. Yes, sir, but we can get you the figure. It depends upon the size of the regional office.

Mr. HICKS. Now, those 258 people have the responsibility of checking on these 14,000 schools that you mentioned that you have.

Mr. VAUGHN. Yes, sir, and we have a chart here that we have entered for the record that will indicate how many compliance surveys we conducted during the past year, and the type of schools that they were conducted in.

Mr. HICKS. That is in one of the charts that you have?

Mr. VAUGHN. Yes, sir.

Mr. HICKS. All right. Now, that is before you set up these compliance officers that have that as their principal duty?

Mr. VAUGHN. That was before, that was during the past year, and it would be partly before and partly after we established the compliance offices.

Mr. HICKS. What is your objective with the compliance officers that you have now set up separately? What is your objective in the number of surveys that should be made?

Mr. VAUGHN. We have planned an increase for this coming year, and Miss Schaeffer has the figures.

Miss SCHAEFFER. For flight schools, 100 percent. In other words, every flight school would be surveyed once a year.

For the BCL, the below college level courses, every 4 years a school would be surveyed, 25 percent of them would be surveyed each year.

Mr. LUMAN. Is that the classification proprietary schools fall in?

Miss SCHAEFFER. Yes.

The institutions of higher learning, those that have over 300 trainees 25 percent every year. Less than 300 trainees, there are 25 percent liaison visits. In other words, they are doing a dual function—they're doing the compliance as well as any other administrative problems that would be discussed at the time.

For OJT and apprentice, 10 percent every year.

Mr. HICKS. All right. Now, as you discover things that aren't to your satisfaction, what formal process or informal process do you have of passing that on to the Office of Education?

Mr. VAUGHN. We would immediately upon receiving the report of a compliance survey showing violations of approval criteria, submit that report to the State approval agency.

Mr. HICKS. No, I'm talking about the Office of Education here in Washington, D.C.

Mr. Vaughn. If there is a discrimination of any kind on the part of the school, or a failure to comply with our title VI regulations, then we would notify the Office of Education, because they are also involved in programs that are working with us, and this is one of the reasons that we have these periodic meetings with the Office of Education.

Mr. Hicks. Now, Social Security also funds students, but you don't have any formal working relationship with Social Security?

Mr. Vaughn. No, sir, not on the educational level. June, do you know of any?

Miss Schaeffer. No.

Mr. Vaughn. I would like to go back to your question about all State approval agencies being alike or not alike.

I will give an example. We have a State approval agency in one State that will approve a school, and that same school will have an operation in another State, identical, and the State approval agency in that State, on occasion, we find that they will deny that school.

Mr. Pritchard. So there are different standards in different States.

Mr. Vaughn. Oh, yes, sir.

Mr. Pritchard. What I want to know is, do you take this into consideration, and obviously, some States are better run than others.

Mr. Vaughn. Yes, sir.

Mr. Pritchard. In this area. Some may do a job of weeding out, may get after them, and in other States they don't.

Mr. Vaughn. That's true.

Mr. Pritchard. And it would seem to me that you would be aware of this and you would know that you have got to be very careful in State X, or because they don't take care of their business, and you are going to have to make sure that government money is spent carefully.

Mr. Vaughn. True. Normally, a regional office director and his staff in that regional office and in that field station knows the State approval agency, he knows their weaknesses. They may be strong in the OJT field and do a darn good job, but they may be weak when it comes to policing an individual school, so yes, sir, that is correct.

They do watch it more carefully.

Mr. Pritchard. But what I am looking for is a little guidance. I keep having the feeling that our ability to get all of the Federal agencies coordinated and working and running down the road in a harness, it seems to be a wish way out there.

The Office of Education has had 2 years to promulgate their regulations and still haven't done it, and so it seems that the best chance of policing this area is through the States, and the law says it.

Now, I would like to put some pressure on the States that are not doing a good job, and I guess I am looking for a little advice and help on how can we nudge the States into some action, and obviously, you people would know which States are doing a good job and which are not doing a good job.

Mr. Vaughn. Yes, sir, our regional office director would know the weaknesses of the State approval agency.

Mr. Pritchard. All right, so what I wonder, could you as a person give me some guidance as to which States are doing a good job and which States aren't doing a good job?

Mr. VAUGHAN. I don't think we have them categorized that way.

Mr. PRITCHARD. Well, if we cannot get the information so that we can——

Mr. VAUGHN. I don't believe that my evaluation or my staff's evaluation of one State approval agency as opposed to another, as to how strong they are in meeting the requirements, would be sufficient to satisfy your needs either. There is no yardstick.

Mr. PRITCHARD. I realize that, but there are about three or four different groups here that come in on this, and I think maybe getting a profile of about three, four different angles, we might get a little better idea, and what I am hoping for is that we can turn the heat on the States that refuse to do a proper policing job, and I am sure that in your organization they know which States are doing a good job.

Mr. VAUGHN. Yes, sir, they know.

Mr. PRITCHARD. They know, and wouldn't it be nice if we could kind of get that information.

Now, maybe we are getting over where it is something that you feel you cannot do. Do you really feel that that is beyond the line here?

Mr. VAUGHN. I think it is beyond the realm of any responsibility that we could exercise within the Veterans' Administration because we are constantly calling to the attention of the State approval agencies that are weak, and as I say, just this past year I have established that we will have training programs with these on a regional basis so that more than one State will be sitting in these training sessions with the other States, to learn more about what the good States are doing.

Let's put it that way.

Mr. PRITCHARD. Well, I think you know what I want, and I think I understand your problem.

Mr. VAUGHN. Yes, sir.

Mr. HICKS. Mr. Luman?

Mr. LUMAN. Mr. Vaughn, earlier——

Mr. VAUGHN. Could I turn this over to Mr. Mulone? I have to go to the airport. I'm sorry, but I have a plane at 12, but I will leave it to Mr. Mulone.

Mr. Mulone is my deputy, and he has just arrived in Washington. He's been a regional office director, and I think he could give you some help.

Mr. PRITCHARD. Good. He may have a good answer for me here.

Thank you very much.

Mr. VAUGHN. Thank you.

Mr. LUMAN. Mr. Mulone, earlier I asked Mr. Vaughn about the enforcement of the regulation that says a school cannot use erroneous advertising, and he said he would have to get cases where you have acted on this, in the 58 regional offices.

Now, how can you possibly cooperate with the Office of Education and the Federal Trade Commission in Washington if you don't even know what is happening in these regional offices, to get enforcement of that law?

Do they tell you in Washington when they have moved against a school, or do they handle it themselves, and if they do handle it themselves, how does the Office of Education know?

Mr. MULONE. No, this is done on a statewide basis. When a false or misleading advertising comes up, it is taken up by the regional office director with the State approval agency.

Mr. LUMAN. But you see, we have been talking about a Federal unit here, and trying to get the agencies to help each other.

I would suppose that if your regional office discovered a school in Wyoming that was using misleading advertising, the Federal Trade Commission might want to know it, maybe even the Office of Education, but if the central office of the Veterans' Administration doesn't know about it, how can the interagency group do anything with it?

Mr. MULONE. Well, you see, when you look at this on a broad spectrum, what we are doing in the Veterans' Administration is actually dealing with 58 State agencies, and we are doing this in terms of the regional office director, and he is the man that sits over the whole program, as far as the Veterans' Administration is concerned.

He and his staff are the watchful eye of what is going on in the education field, whether it be IHL, or below college level, and anything that is determined as misleading or false advertising through our determinations that are made by compliance inspections, is immediately brought to light with the State approval agency.

Mr. LUMAN. But is it brought to light with anyone from the Office of Education in reference to student loans, or anyone from the Federal Trade Commission?

Mr. MULONE. Well, in my experience, I would have to answer no.

Mr. LUMAN. Shouldn't it be?

Mr. MULONE. Yes, I suppose that we could improve the program to that extent and make it more forceful, yes.

Mr. LUMAN. Well, do you get at the regional level any information from the Office of Education and the FTC coming in your direction?

Mr. MULONE. Yes, we do. You mean in terms of the quality and the standards that are provided by the school?

Mr. LUMAN. We have several Federal agencies involved one way or another with the schools. One of the agencies discovers a problem. The question is, to what degree do they make the other agencies aware that there is a problem there, so that the other agencies can take some action?

Mr. MULONE. Again, in my experience, I would have to answer there is not the communication in existence that should be in this area. It is not as tight as it should be.

Mr. GRAHAM. Mr. Mulone, what about communication between the regional offices? If you receive a lot of complaints about a school in Illinois, are those complaints sent by the VA to your Pennsylvania regional office?

Mr. MULONE. There is a very tight communication, very tight, because one office in terms of correspondence schools, there is an operation in many other States, and an example of this would be La Salle, a correspondence school out of Chicago. They operate in practically every State in the United States.

Now, there is a difference in quality from State to State; now, if the quality is, let's say, subnormal in *x* State, he's going to report that to all of the others. He's going to report that to the regional office that houses the main office of the correspondence school, plus reporting this to our Washington office.

Mr. **Graham.** So if the veteran living in Pennsylvania applies to a school in Chicago, does the regional office in Pennsylvania inform him of problems that the regional office in Chicago has discovered?

Mr. **Mulone.** You mean from office to office?

Mr. **Graham.** Yes.

Mr. **Mulone.** Yes, there is a very good communication in this area.

Mr. **Pritchard.** Within the VA?

Mr. **Mulone.** Yes, within the VA it has been very fine.

If I were sitting as the director of the Chicago regional office, and I discovered something in Illinois involving a correspondence school, and I knew that it affected the other States, I would come right in here to Washington and outline the entire case for them.

They in turn would go to the field and tell them that this is a situation with such and such a school. This occurs quite frequently.

Mr. **Graham.** Mr. Mulone, I wonder if you could review for me the process a veteran goes through in applying for benefits. We were told that once he becomes a veteran he receives a mail packet from the VA. What happens?

Mr. **Mulone.** Once he is separated from the service, he is given his discharge form, a DD214, that DD214 is sent to our computer center in Austin and in turn, a computer spills out a letter to the veteran which enumerates certain benefits that he has, plus the fact that it also includes an application for education benefits that he can fill out and take to a school, whether it be IHL or BCL, and the school certifies and he certifies, and that comes in and we take action on it.

This is under chapter 34, title 38, United States Code.

Mr. **Graham.** But it is not necessary for him to meet with anyone from the VA?

Mr. **Mulone.** No.

Mr. **Graham.** Well, the only counseling he would receive then is through the mail?

Mr. **Mulone.** Well, he receives counseling on the campus and in the school.

Mr. **Graham.** From a VA person?

Mr. **Mulone.** Well, under the new program, yes, he would have a chance, he would have the opportunity to talk to a representative of the Veterans' Administration.

Mr. **Graham.** Where would this representative be?

Mr. **Mulone.** On the campus.

Mr. **Graham.** What about a correspondence school?

Mr. **Mulone.** In a correspondence school or below college level, he wouldn't talk to one.

Mr. **Graham.** Well, what about a residence school and a proprietary school?

Mr. **Mulone.** We wouldn't have that either.

Mr. **Graham.** So it would just be on college campuses.

Mr. **Mulone.** Yes.

Mr. **Graham.** But as far as proprietary schools go, there is no veterans counseling, personal counseling.

Mr. **Mulone.** No.

Let's say that he is pursing an objective, and that he suddenly decides that it just isn't the objective that he wants to pursue, and he wants to change his course. When there is a change of course, there is some counseling that takes place.

Mr. PRITCHARD Let me just ask you to follow that up.

Mr. MULONE. May I make one more comment?

Any veteran taking education under any law can request counseling at any time.

Mr. PRITCHARD. But we spend $1.8 billion here on the VA on educational benefits to our veterans, and it shows here that we only spend $7.5 million for counseling. That is four-tenths of 1 percent, and I know that in all other aspects of education, that would be considered miniscule. From my experience, this is terribly important, that people get some counseling and an opportunity to talk these things over before they go down the road and are encouraged to, and I cannot believe that that is a very good ratio.

Mr. MULONE. Well, under chapter 34, there is no requirement that a veteran be counseled initially. He can request it, but there is nothing in the regulation or the law that says that he must be counseled.

Mr. PRITCHARD. Well, I wasn't talking about that. I'm kind of probing here not on what the law says he must do, but what would be best for the veteran, and in your opinion——

Mr. MULONE. Well, in my opinion, and the experience I have had, even with my own children at the high school level, during their education at the high school level, they are counseled any number of times.

Mr. PRITCHARD. Oh, yes, I understand that; that's not veterans. That's our education process, and that has come about because people have found that it is necessary.

Mr. MULONE. That's right.

Mr. PRITCHARD. Now, you take a young person that is a veteran, and is coming back, I cannot think of anyone that could benefit more by some counseling: He takes this course, and sits down and just has no chance to talk it over with somebody.

Mr. MULONE. Well, as I said, if he feels that he wants counseling, he can request it when he makes application for education benefits.

Mr. PRITCHARD. But you know, saying that a person feels that he wants it or needs it, I think that there should be some standard counseling, so that not having it is the exception, rather than having it is the exception.

And I realize that we're going after a little different lineup here, you know, this is not really on the point, but I guess I am just sort of probing you personally, what you think about counseling and veterans.

Mr. MULONE. Well, I believe in counseling.

Mr. PRITCHARD. Well if you do, why do we spend only four-tenths of 1 percent at it? I would like to see the agency make it, as I say, more the rule rather than the exception, make it easier, more encouragement to do it, because it is my opinion, my experience with veterans is that they need counseling very badly.

Now, that is just my personal feeling—happening to have had friends of mine and friends of my son who have ended up in my front room, and just by chance we have gotten talking, and I said, well, why are you doing it, this, and that, and I find then, all those kids pretty lost in how they arrive at a school, is just sort of by chance, and that is just a personal observation.

Mr. Mulone. Well, at one time we did what we called group counseling, chapter 34, where we got, let's say, a number of veterans, not in excess of 10, as a group and we talked to the veteran about what field of endeavor he was going to take on.

Now, in most cases that was not the kind of counseling that the individual veteran wanted.

Mr. Pritchard. That's right.

Mr. Mulone. He wanted to know where he could go to school, could the Veterans' Administration help him get into a specific school, and what benefits he was going to derive from the GI bill.

Mr. Pritchard. Well, that's really information. That's not counseling.

Mr. Mulone. That's right. That is not counseling.

But by and large, in the majority of cases, this is what they wanted to know.

Mr. Pritchard. That's how they start off, when they tell you what they want to know.

Mr. Hicks. I think Mr. Pritchard was a victim of bad counseling. That's the point he is trying to make.

Mr. Pritchard. That's right. I've been too embarrassed to tell my mother, ever since, where I am.

Mr. Luman. Mr. Mulone, someone the other day told me with reference to proprietary students, that the course change requirement was very tough for them, because they had to get counseling and they had to wait 3 or 4 months.

Is there any validity to this, and if that's the case, how effective is counseling if you can't get to see a counselor fairly quickly?

Mr. Mulone. Well, a veteran is allowed one change of course. If he decided that he wanted a second change, there is a requirement that he be counseled.

In the meantime, we have our own staff counselors and regional offices, and we have contracts with counseling centers throughout the State. Now, the State that I came from, Illinois, we had five such centers.

Now, if the appointment is made and the veteran shows there is no reason why he cannot be counseled within a period of 30 days, but believe it or not, our no-show rate on counseling sometimes goes up as high as 25 percent. We overestimate our appointments by a minimum of 10 percent.

Now, if a veteran does not show——

Mr. Pritchard. Well, that really, that 10 percent falloff, my dentist has almost that bad a falloff rate.

Mr. Mulone. No; it's not that bad, but when you are dealing nationwide, when you are dealing in terms of thousands of counselees, then—if he does not show, then he has to be rescheduled again, and sometimes a rescheduling takes another 10 days.

The actual counseling takes a minimum of a day, the writeup of the reports—in some cases where they don't show, it could amount to 60 days, it could amount to that.

Mr. GRAHAM. Mr. Mulone, in this packet that you send out, is the only warning about vocational schools, or any type of school, correspondence school, et cetera, is this the only consumer education that is put out?

Miss SCHAEFFER. Yes; on correspondence courses.

Mr. GRAHAM. Have you given any thought to including the FTC booklet which deals with all vocational schools, in the packet?

Miss SCHAEFFER. I don't know if that has been considered or not.

Mr. GRAHAM. Otherwise, he receives no warning whatsoever?

Mr. MULONE. We'll make a note of that and certainly make an inquiry. I don't know.

Miss SCHAEFFER. It might be that the packet is so large now that to add more information is just going to have him toss the whole thing aside.

Mr. GRAHAM. But in other words though, a veteran could receive this packet, sign up for a proprietary school, or go to school without even knowing that there are some problems in the field, that he might not get a job, that the education might be poorly organized, or whatever.

What about if you received a thousand complaints about a school, and had not yet disapproved the course, where along the line would he be told not to apply to that school and not take that particular course, that there might be problems?

Mr. MULONE. Well, we have had that experience. We have simply quit accepting applications for that school until we have made the determination of whether or not the condition existed.

If the condition existed, we would simply not send any more veterans to the school.

Mr. GRAHAM. Mr. Mulone, how much money does a veteran get to go to school?

Mr. MULONE. If he is single, he gets $220 a month. That increases with the number of dependents that he has, and it goes up to a maximum of about $365.

Mr. GRAHAM. And that is to cover all costs to go to school?

Mr. MULONE. Yes.

Mr. GRAHAM. And how do you pay this money?

Mr. MULONE. Directly to the veteran.

Mr. GRAHAM. In a lump sum?

Mr. MULONE. No, month by month.

Mr. LUMAN. Mr. Mulone, Dr. Orlans and some of our other witnesses have made the point that we probably don't know enough about the proprietary vocational education. We should know more about what type of person benefits or the type of training that seems to work best to suit the aims of people who attend.

The VA has put hundreds of thousands of students through proprietary vocational schools. What attempts have been made to try to fill the gaps in knowledge about the schools, so as to better advise future veterans?

Mr. MULONE. Well, in the field we talked about compliance surveys. We talked about specializing in compliance survey officers.

Mr. LUMAN. I'm talking more about your relationship with the veteran student, a followup after he has been through school, what did you expect, what did you find, what advice would you give to someone who is going to select a school, did it relate to the job, that sort of thing, to fill our knowledge about the general area of proprietary schools and the students and their needs, and so forth?

Mr. **Mulone.** Well, as to a followup after the man has completed his education and completed his objective, we don't have any followup.

Mr. **Pritchard.** You have never done any followup?

Mr. **Mulone.** None other than special studies, as, let's say, sending the man a questionnaire and asking the questions that you enumerated. No; we never have done that.

Mr. **Pritchard.** You must have done some.

Mr. **Branan.** May I suggest—we do now have a survey in process which approaches this. We ask the man if he finished the course, if not, why not, is he using the skills, that sort of thing. That study is in process.

Mr. **Pritchard.** Have you had some surveys done by people, have you had some studies done, you know, we have all spent billions of dollars in this program, and I would think that, you know, there would have been some very fine studies made as to how worthwhile it was, what it meant to them, or how we could do it better.

I cannot imagine that there just wasn't a terrific amount of followup to make sure that this was money well spent, and that we were doing as good a job as possible in this area.

Mr. **Mulone.** Well, from the State level and our regional offices, we have never made such a study.

Mr. **Branan.** There have been a lot of private studies, but most of them deal with college level——

Mr. **Pritchard.** I mean in the vocational area, not in college.

Have you people funded some studies?

Mr. **Branan.** The one I just mentioned is the largest.

Mr. **Pritchard.** And that is going on now?

Mr. **Branan.** Right now.

Mr. **Pritchard.** But 3 years ago, 5 years ago, you people did not have an ongoing program?

Mr. **Branan.** Well, may I suggest, 3 years ago, 5 years ago, there weren't many people who had finished the program. It was only beginning, and it is at the present time that we have a chance to get people who have had the opportunity to finish the program and who have had some work experience following that program——

Mr. **Pritchard.** Well, we have had veterans going through vocational schools for years.

Mr. **Branan.** You are speaking of the earlier programs.

Mr. **Pritchard.** Well, sure.

Mr. **Luman.** Recently, the GAO did a study, for the Senate, I believe, of the correspondence schools, completion rates, and so forth.

Was that the first study in this area, the one that the Senate commissioned the GAO to do?

Mr. **Branan.** Well, there have been a number of studies. There was a review of the World War II program, about 1950, in which the committee went deeply into the operations of schools and made many legislative changes based upon that. That sort of thing has been repeated.

Mr. **Luman.** I am talking about one where you contact the students. Was the GAO survey the first one that went out with questionnaires and said, did you finish the course, did you get a job, what did you think of the training, what did you think of the VA counseling, and so forth; was that the first effort?

Mr. Branan. I'm not aware of any that did exactly that before.

Mr. Mulone. I am not either.

Mr. Pritchard. You get the feeling that we have a pretty good dispensing unit, but, you know, I think my feeling would be, if I was tied up in this kind of activity I would be surveying all the time. I would be just checking it all the time because with the amount of money going through, there is responsibility, plus the use of people's lives, the time and hours that people have put into courses, that you would not have left it up to just, you know, a study here and there. It would be an ongoing program.

I am amazed. That is all I have, Mr. Chairman.

Mr. Hicks. Mr. Graham?

Mr. Graham. No, sir.

Mr. Hicks. Thank you very much.

Mr. Mulone. Thank you very much.

[Mr. Vaughn's prepared statement follows:]

Prepared Statement of Odell W. Vaughn, Chief Benefits Director, Veterans' Administration

Mr. Chairman and members of the subcommittee, we are pleased to appear before you today to present the views of the Veterans Administration on the vocational training programs for veterans and certain other eligibles.

The Veterans Administration is responsible for administering three basic educational programs which provide education and training for veterans, servicemen, servicewomen, and eligible dependents. The first, and best known, is the G.I. Bill. This provides veterans with the opportunity to attain the vocational and educational levels which they might normally have aspired to and obtained had they not served their country. The second, the War Orphans' and Widows' Educational Assistance Act, provides educational opportunities to the children of severely disabled or deceased veterans, which they might have been able to obtain had it not been for the disability of the parent, for the wives and widows of such veterans, and for the wives and children of those individuals who are listed by the military departments as missing in action, captured in line of duty by a hostile force, or forcibly detained or interned in line of duty by a foreign government or power. The third, the Vocational Rehabilitation Act, provides vocational rehabilitation assistance for disabled veterans.

If the veteran elects to pursue a course that will qualify him for a civilian vocational objective, the law provides that the curriculum or courses pursued at the educational institution shall be generally accepted as necessary to fulfill the requirements for the attainment of a predetermined and identified vocational or professional objective (section 1652(b), title 38, U.S. Code). Such an objective is a recognized occupation that is listed in the Dictionary of Occupational Titles or one that is subject to listing in that reference.

The objectives of vocational school courses and job training courses are often stated in terms of a particular craft, such as carpenter, welder, automobile mechanic, sheet-metal worker or similar designation. The program selected by the eligible veteran or person must include the complete training needed to qualify for employment as a journeyman in the occupation selected. More than one professional or vocational objective can be pursued in the curriculum or courses if all the objectives are generally recognized as being reasonably related to a single career field. An example is the automobile body repairman who also needs welding training to perform the full range of tasks in his vocational objective (section 1652(b), title 38, U.S. Code).

A vocational school course may be authorized for an occupational objective if graduates of the course generally qualify for employment in the stated job objective. If there are licensing requirements in the State for the occupation, completion of the course must meet the requirements for taking the licensing examination. If there are no licensing requirements, completion of the course must be generally recognized by prospective employers as qualifying for employment in the stated occupation. If graduates of the course cannot obtain employment in the community where the course is given because they are not considered qualified, the vocational course should not be authorized as a program of education.

In addition, 50% of the graduates in the last two years in sales or sales management courses must be employed in these fields. Additional training for the same objective is considered refresher training, which is prohibited under the law. The law makes an exception where the student needs additional training at the secondary level to qualify for admission to an appropriate training program (Section 1691(a)(2), title 38, U.S. Code). An eligible veteran or person who has satisfactorily completed a vocational school or job training program is considered qualified for the stated occupational objective.

Vocational training may be obtained either by correspondence, residency or on-job training. In general, the determination of eligibility for the payment of educational assistance allowance is determined without reference to the type of school or type of training. Different rates of benefits are not paid merely because the school offering the training is a proprietary school as distinguished from a non-proprietary school. However, if the training is offered by correspondence, the rate of benefits is based upon 90% of established charges rather than the fixed monthly amount paid to students in residency type training. If the training is on-job type training, the monthly amount is less than that paid to resident students because the student also is being paid a wage by the employer. This wage must be less than the journeyman rate. If the student qualifies for the journeyman rate, he is considered to have attained his vocational objective.

Proprietary schools, the courses of which are not accredited, may not have more than 85% of the students receiving benefits from the Veterans Administration or have all or part of the cost of the course paid for by the school (Section 1672(d), title 38, U.S. Code). Nor, may the institution utilize advertising of any type which is erroneous or misleading, either by actual statement, omission or intimation (Section 1776(c)(10), title 38, U.S. Code). Also, proprietary schools are required to have the course in operation for at least two years before veterans and eligible persons enrolled in the course may receive Veterans Administration benefits (Section 1789, title 38, U.S. Code).

In addition, correspondence course payments are made only if the statutory requirements as to contracts, contract affirmation and refunds are complied with by the schools (Section 1786, title 38, U.S. Code).

Enforcement of these provisions of law is generally accomplished through the State approving agencies of the various States (Section 1772, title 38, U.S. Code). Except in a limited number of exceptional cases, the Veterans Administration does not approve courses. The Veterans Administration seeks to achieve compliance with the provisions of the law by coordinating its actions with these State agencies and reimbursing them for the costs involved. In addition, the Veterans Administration periodically surveys training institutions and establishments with its own staff to assure compliance with legal requirements. While these surveys are made regularly each year as a matter of course, the Veterans Administration also conducts special surveys of institutions if complaints have been received or if the records submitted by the institution to the Veterans Administration reveal that there is probable cause for investigation. In calendar year 1973, a total of 2,606 cases were referred to the State approving agencies and 144 course disapprovals resulted. During the same period of time, 16 cases were referred to VA station committees on educational allowances and 13 resulted in disapproval of benefits for the course by the Veterans Administration.

The most frequent problems reported to the Veterans Administration have to do with the quality of the educational programs, the quality of the instruction, and the methods by which the student was induced to enroll. The largest number of complaints have to do with correspondence training courses. Many students do not believe that the training accorded truly qualifies them for the vocational objective sought. However, this is not a universal view. The residence courses are frequently complained of in terms of the equipment used for training. Sometimes it is found to be unsuited to the current industry standards. In every such instance, the Veterans Administration refers the matter to the State approving agency to verify the facts and take appropriate action. If warranted, the Veterans Administration also conducts its own investigation, particularly where elements of fraud may be involved.

In addition to the problems which the student may encounter from the institutions, the Veterans Administration frequently receives inquiries regarding the failure of the student to receive prompt and timely payment of benefits to which he is entitled. We are at present implementing many basic changes in our processing procedures to improve our service to veterans and eligible persons.

State approving agencies were created as a result of the specific requirements of the WWII G.I. Bill (PL 346, 78th Congress). They were continued under the Korean Conflict G.I. Bill (PL 550, 82nd Congress) and in the current program (PL 89–358).

Section 1771, title 38, U.S. Code requests the chief executive of each State to designate a State department or agency to perform the duties of the State approving agency in the State. Section 1774, title 38, U.S. Code authorizes the Administrator to enter into contracts to reimburse the States for the necessary expenses of salary, travel, and certain administrative costs incurred in the performance of the duties of the State approving agency.

Section 1772, title 38, U.S. Code provides that courses offered for training eligible persons and veterans under the War Orphans' and Widows' Educational Assistance program (Chapter 35, title 38, U.S. Code) or veterans and servicemen under the current G.I. Bill (Chapter 34, title 38, U.S. Code), must be approved by the State approving agency of the State where the school or training establishment is located or by the Administrator. The Administrator is only given specific responsibility for approving courses offered by Federal agencies or by schools located outside the United States.

State approving agencies have the responsibility for approving courses given by all types of schools and training establishments. These include public and private schools, schools below college level, colleges, universities, hospitals, and apprentice and other on-the-job training establishments. The courses which are subject to approval run the gamut from such subjects as cosmetology, auto mechanics, and flight courses, to advanced residency courses for purposes of qualifying for medical specialty boards.

Some States have one approving agency to approve all types of courses and schools. Other States have two or more approving agencies with each having jurisdiction over particular types of schools. In States having more than one approving agency, the usual pattern is for its Department of Education to have approval responsibility for all schools with its Department of Labor having responsibility for all training establishments offering apprenticeship and other on-the-job training.

There are currently 72 State approving agencies with whom the Veterans Administration has contracts. These contracts for FY 1975 will cost the Veterans Administration about $12 million. In addition, the District of Columbia performs State approving agency work without charge.

In performing their work, State approving agency representatives not only visit schools and training establishments to make initial approvals for courses, but conduct, on a continuing basis, supervisory visits to schools and training establishments having veterans and other eligible persons enrolled in approved courses. In the event violations of approval criteria are discovered on supervisory visits, the schools may be cautioned and given a specific time to correct the violations, or, where serious violations occur, the State approving agency may withdraw the school's approval.

In accordance with Veterans Administration Regulation 14207, whenever the Veterans Administration finds that a school may be in violation of any criteria required by law for enrollment of veterans, the Committee on Educational Allowances reviews the facts and recommends to the station head the action to be taken. The school may request a hearing before the regional office Committee on Educational Allowances. If the station head approves the recommendation of the Committee on Educational Allowances, the decision becomes final unless within 30 days from the date the school is notified of the decision, it requests a review by the Central Office Education and Training Review Panel. At the Central Office level, the panel consists of a staff member of the Education and Rehabilitation Service and two consultants chosen from a group of non-Veterans Administration employees selected for this purpose. There are a number of State approving agency representatives among the consultant group. If the Director, Education and Rehabilitation Service, concurs in the recommendations of the review panel, this becomes the final administrative decision of the Veterans Administration. If the Director does not concur in the recommendations, the final decision is made by the Chief Benefits Director.

In many cases, the Committee on Educational Assistance Allowances does not have to take action because, when the violations are called to the attention of the State approving agency, that agency contacts the school and either obtains a correction of the violations or withdraws the school's approval.

It is noted from your letter of July 2, 1974, inviting representatives of the Veterans Administration to appear and testify, that it is the Subcommittee's understanding that the schools with the largest number of Veterans Administration supported students are the proprietary vocational schools. I would like to point out that unless proprietary correspondence schools are included, this is not correct. I have a number of tables providing statistical data on the number of persons enrolled in vocational type training, and the amount of benefits which are paid by the Veterans Administration. It is requested that these tables be included in the record.

Mr. Chairman, this concludes my presentation. I will be pleased to respond to any questions you may have.

ATTACHMENT 1

BENEFITS COST FOR TRAINING COURSES NOT LEADING TO A STANDARD COLLEGE DEGREE (EXCLUDING FARM, FLIGHT, AND CORRESPONDENCE)

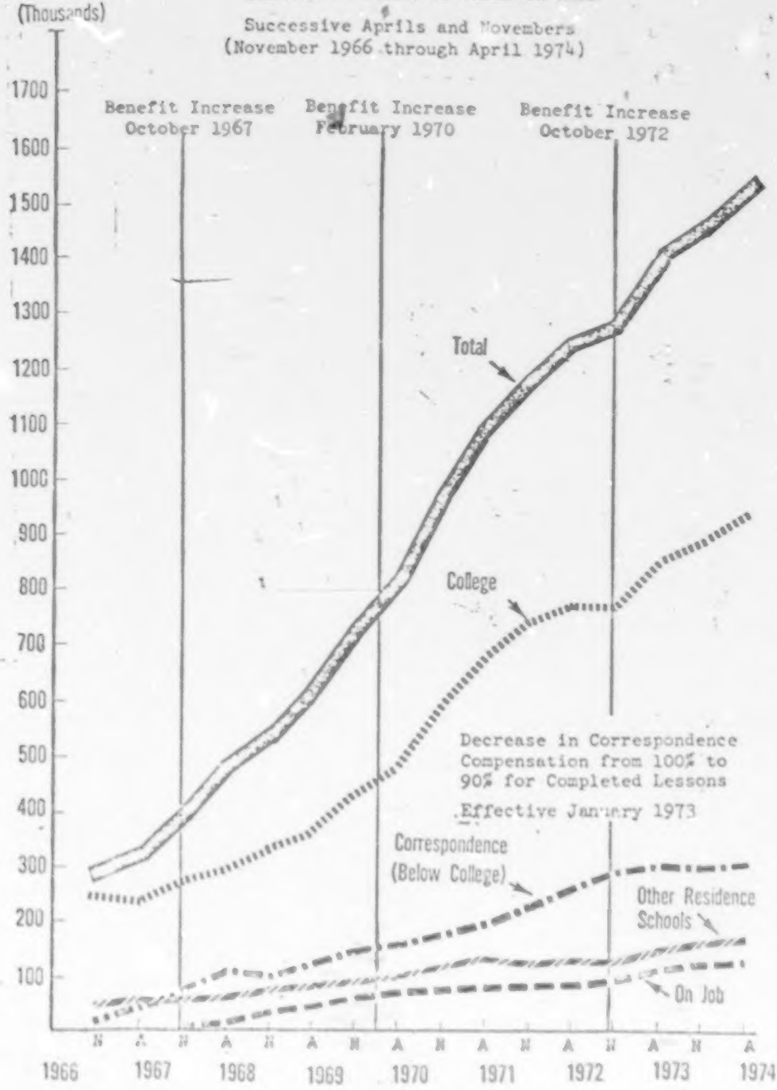
[In millions of dollars]

	Veterans	Servicemen	Dependents
Ch. 34	270.0	14	NA
Ch. 35	NA	NA	9.6
Ch. 31	5.4	NA	NA

(Chapter 34 veterans also received $97.2 million and servicemen $22.5 million for correspondence training; veterans $33.8 million and servicemen $6.0 million for flight; and veterans $14.0 million for farm training)

PERSONS IN TRAINING UNDER GI BILL

Successive Aprils and Novembers
(November 1966 through April 1974)



ATTACHMENT 3

CH. 34.—PERCENTAGE DISTRIBUTION OF TRAINEES BY TYPE AND PROPRIETARY STATUS OF FACILITY AS OF APRIL 1974 AND 1973

Type of facility	Public facilities—percentage distribution	
	1974	1973
Institutions of higher learning	81.1	81.[illegible]
University	70.4	71.0
Hospital	34.5	33.4
Teachers	99.1	99.1
Junior college	92.6	94.5
Other schools	16.4	14.8
Technical	2.1	2.8
Business	.1	.1
Secondary/elementary	98.4	97.6
Vocational/trade	15.3	14.8
Individual instruction	33.3	21.4
Job training	9.6	10.4
Total	56.4	55.4

ATTACHMENT 4

CH. 34.—DETAILED IN TRAINING COMPARISON—APRIL 1974 TO APRIL 1973

	1974	1973	Change	
			Number	Percent
Grand total, all levels	1,536,724	1,400,566	136,158	9.7
College level total	938,013	845,290	92,723	11.0
Graduate	121,407	115,608	5,799	5.0
Undergraduate	807,829	720,551	87,278	12.1
Nondegree	8,777	9,131	−354	−3.9
Other schools total	469,915	445,611	24,304	5.5
Vocational or technical post-high school	71,551	74,619	−3,068	−4.1
Other vocational and technical	334,327	317,184	17,143	5.4
High school	24,023	20,673	3,350	16.2
Flight training	24,685	22,548	2,137	9.5
Cooperative farm	15,329	10,587	4,742	44.8
On-job training total	128,796	109,665	19,131	17.4
Apprenticeship	66,997	61,334	5,663	9.2
Other	61,799	48,331	13,468	27.9
Veterans total, all levels	1,448,393	1,314,113	134,280	10.2
College level total	920,845	832,730	88,115	10.6
Graduate	111,656	108,518	3,138	2.9
Undergraduate	801,356	716,002	85,354	11.9
Nondegree	7,833	8,210	−377	−4.6
Other schools total	398,752	371,718	27,034	7.3
Vocational or technical post-high school	59,894	59,117	777	1.3
Other vocational and technical	281,247	264,559	16,688	6.3
High school	20,756	17,753	3,003	16.9
Flight training	21,526	19,702	1,824	9.3
Cooperative farm	15,329	10,587	4,742	44.8
On-job training total	128,796	109,665	19,131	17.4
Apprencticeship	66,997	61,334	5,663	9.2
Other	61,799	48,331	13,468	27.9
Vietnam era veterans total, all levels	1,160,285	1,048,893	111,392	10.6

ATTACHMENT 4—Continued

CH. 34.—DETAILED IN TRAINING COMPARISON—APRIL 1974 TO APRIL 1973—Continued

	1974	1973	Change Number	Change Percent
College level total	759, 234	688, 954	70, 280	10. 2
Graduate	89, 905	86, 639	3, 266	3. 8
Undergraduate	663, 026	596, 007	67, 019	11. 2
Nondegree	6, 303	6, 308	−5	−. 1
Other schools total	282, 789	259, 339	23, 450	9. 0
Vocational or technical post-high school	45, 598	44, 842	756	1. 7
Other vocational and technical	201, 777	185, 866	15, 911	8. 6
High school	15, 578	13, 276	2, 302	17. 3
Flight training	11, 188	9, 977	1, 211	12. 1
Cooperative farm	8, 648	5, 378	3, 270	60. 8
On-job training total	118, 262	100, 600	17, 662	17. 6
Apprenticeship	62, 006	57, 327	5, 679	10. 1
Other	56, 256	44, 273	11, 983	27. 1
Servicemen total, all levels	88, 331	86, 453	1, 878	2. 2
College level total	17, 168	12, 560	4, 608	36. 7
Graduate	9, 751	7, 090	2, 661	37. 5
Undergraduate	6, 473	4, 549	1, 924	42. 3
Nondegree	944	921	23	2. 5
Other schools total	71, 163	73, 893	−2, 730	−3. 7
Vocational or technical post-high school	11, 657	15, 502	−3, 845	−24. 8
Other vocational and technical	53, 080	52, 625	455	. 9
High school	3, 267	2, 920	347	11. 9
Flight training	3, 159	2, 846	313	11. 0
Cooperative farm				

ATTACHMENT 5

PERSONS IN TRAINING DURING FISCAL YEAR BY PROGRAM

Program	Fiscal year 1973	1972	1971	1970	1969	1968	1967
Post-Korean educational assistance program—chapter 34—in training during year:							
Schools below college level	755, 559	637, 962	521, 873	416, 658	330, 000	254, 576	129, 098
Job training	188, 686	161, 683	145, 604	116, 833	66, 498	18, 629	
Children—educational assistance program—chapter 35—in training during year:							
Schools below college level	5, 632	5, 744	5, 341	4, 696	4, 833	4, 437	3, 863
Job training	74						
Wives and widows educational assistance program—chapter 35—in training during year—(total)	10, 505	9, 560	8, 796	7, 071	2, 819		
Institutions of higher learning	7, 600	6, 474	5, 326	3, 884	1, 447		
Schools below college level	2, 892	3, 086	3, 470	3, 187	1, 372		
Job training	13						
Vocational rehabilitation program for disabled veterans—chapter 31—in training during year:							
Schools below college level	6, 590	7, 638	8, 550	7, 934	7, 333	6, 851	6, 585
Job training	1, 730	1, 718	1, 625	1, 418	1, 132	898	772
Institutional on-farm	183	182	180	177	114	134	132

ATTACHMENT 6

CH. 34.—INDIVIDUALS IN TRAINING DURING FISCAL YEAR BY TYPE OF TRAINING AND FIELD OF STUDY OR TRAINING

	During fiscal year 1973	During fiscal year 1972	Change 1972 to 1973
Schools other than college level (percent)			18.4
Total	755,559	637,962	117,597
Arts	31,915	39,301	−7,386
Business	94,181	110,044	−15,863
Services	44,150	43,847	303
Technical courses—total	69,510	73,750	−4,240
Electronic	54,858	58,190	−3,332
Medical and related	3,536	3,027	509
Engineering, legal and other technical, not elsewhere classified	11,116	12,533	−1,417
Trade and industrial—total	350,665	264,631	86,034
Air-conditioning	52,178	39,510	12,668
Construction	13,246	9,068	4,178
Electrical and electronic	118,914	78,922	39,992
Mechanical	102,732	76,988	25,744
Metalwork	20,837	18,398	2,439
Other trade and industrial	42,758	41,745	1,013
Other institutional	122,077	63,742	58,335
Flight training—total	43,061	42,647	414
Job training (percent)			16.7
Total	188,686	161,683	27,003
Technical and managerial	24,458	16,932	7,526
Clerical	3,329	2,216	1,113
Sales	2,181	1,045	1,136
Service occupations	26,446	24,360	2,086
Farming, fishery, forestry occupations	1,502	1,082	420
Trade and industrial—total	123,049	109,399	13,650
Processing occupations	4,854	4,120	734
Machine trades occupations	36,167	29,347	6,820
Benchwork occupations	6,743	4,726	2,017
Structural work occupations	75,285	71,206	4,079
Miscellaneous occupations	7,721	6,649	1,072

ATTACHMENT 7

CH. 35.—DEPENDENTS IN TRAINING DURING FISCAL YEAR BY TYPE OF TRAINING AND FIELD OF STUDY OR TRAINING

	During fiscal year 1973	During fiscal year 1972	Change fiscal years 1972-73
Schools other than college level:			
Total	8,524	8,830	—306
Arts	429	418	11
Business	2,300	2,306	—6
Services	2,371	2,675	—304
Technical courses—total	660	524	136
Electronic	198	186	12
Engineering	43	49	—6
Medical and related	293	195	98
Other technical, not elsewhere classified	126	94	32
Trade and industrial—total	2,318	2,740	—422
Air-conditioning	90	84	6
Construction	80	68	12
Dressmaking	912	1,341	—429
Electrical and electronic	229	266	—37
Mechanical	584	633	—49
Metalwork	205	159	46
Other trade and industrial	218	189	29
Other institutional	446	167	279
Job training total	87		87

ATTACHMENT 8

CH 34.—ALL PERSONS IN TRAINING

LEVEL OF TRAINING SHOWING FULL TIME AND PART TIME, APRIL 1974

Level of training	Total				Veterans				Servicemen			
	Total	Full time	Part time	Correspondence	Total	Full time	Part time	Correspondence	Total	Full time	Part time	Correspondence
Total, all levels	1,536,724	815,713	414,182	306,829	1,448,393	808,002	398,067	242,324	88,331	7,711	16,115	64,505
College total	938,013	586,220	348,958	2,835	920,845	580,045	338,279	2,521	17,168	6,175	10,679	314
Graduate	121,407	72,699	48,548	160	111,656	69,969	41,537	150	9,751	2,730	7,011	10
Undergraduate	807,829	509,119	297,754	956	801,356	505,835	294,660	861	6,473	3,284	3,094	95
Nondegree	8,777	4,402	2,656	1,719	7,833	4,241	2,082	1,510	944	161	574	209
Other schools, total	469,915	100,697	65,224	303,994	398,752	99,161	59,788	239,803	71,163	1,536	5,436	64,191
Vocational or technical post-high school	71,551	20,381	8,900	42,270	59,894	20,327	8,776	30,791	11,657	54	124	11,479
Other vocational or technical	334,327	52,264	22,710	259,353	281,247	51,977	22,407	206,863	53,080	287	303	52,490
High school	24,023	13,079	8,573	2,371	20,756	11,884	6,723	2,149	3,267	1,195	1,850	222
Flight training	24,685		24,685		21,526		21,526		3,159		3,159	
Cooperative farm	15,329	14,973	356		15,329	14,973	356					
On-job training, total	128,796	128,796			128,796	128,796						
Apprentice	66,997	66,997			66,997	66,997						
Other	61,799	61,799			61,799	61,799						

ATTACHMENT 9

CH. 34.—VIETNAM ERA VETERANS AND SERVICEMEN IN TRAINING

LEVEL OF TRAINING SHOWING FULL TIME AND PART TIME, APRIL 1974

Level of training	Total				Veterans				Servicemen			
	Total	Full time	Part time	Correspondence	Total	Full time	Part time	Correspondence	Total	Full time	Part time	Correspondence
Total, all levels	1, 248, 616	703, 389	313, 904	231, 323	1, 160, 285	695, 678	297, 789	166, 818	88, 331	7, 711	16, 115	64, 505
College total	776, 402	505, 353	268, 940	2, 109	759, 234	499, 178	258, 261	1, 795	17, 168	6, 175	10, 679	314
Graduate	99, 656	62, 987	36, 563	106	89, 905	60, 257	29, 552	96	9, 751	2, 730	7, 011	10
Undergraduate	669, 499	438, 546	230, 240	713	663, 026	435, 262	227, 146	618	6, 473	3, 284	3, 094	95
Nondegree	7, 247	3, 820	2, 137	1, 290	6, 303	3, 659	1, 563	1, 081	944	161	574	209
Other schools, total	353, 952	79, 774	44, 964	229, 214	282, 789	78, 238	39, 528	165, 023	71, 163	1, 536	5, 436	64, 191
Vocational or technical post-high school	57, 255	17, 145	6, 875	33, 235	45, 598	17, 091	6, 751	21, 756	11, 657	54	124	11, 479
Other vocational or technical	254, 857	44, 000	16, 688	194, 169	201, 777	43, 713	16, 385	141, 679	53, 080	287	303	52, 490
High school	18, 845	10, 183	6, 852	1, 810	15, 578	8, 988	5, 002	1, 588	3, 267	1, 195	1, 850	222
Flight training	14, 347		14, 347		11, 188		11, 188		3, 159		3, 159	
Cooperative farm	8, 648	8, 446	202		8, 648	8, 446	202					
On-job training	118, 262	118, 262			118, 262	118, 262						
Apprentice	62, 006	62, 006			62, 006	62, 006						
Other	56, 256	56, 256			56, 256	56, 256						

ATTACHMENT 10

CH 34.—RESIDENCE AT TIME OF APPLICATION

TOTAL IN TRAINING BY LEVEL OF TRAINING

	Total	College	Other schools	OJT	Farm[1]	Correspondence[2]
Grand total	1,536,724	938,013	469,915	128,796	15,329	306,829
U.S. total	1,523,490	929,639	465,356	128,495	15,328	306,228
Alabama	29,508	15,947	10,817	2,744	12	3,475
Alaska	2,774	1,534	1,074	166	3	581
Arizona	24,139	16,824	5,336	1,979	11	4,224
Arkansas	13,638	5,579	6,563	1,496	3,073	1,897
California	253,238	199,197	43,676	10,365	100	29,291
Colorado	27,040	16,295	9,045	1,700	17	6,843
Connecticut	18,052	10,515	4,841	2,696	3	3,611
Delaware	4,442	2,781	1,336	325	2	1,082
District of Columbia	11,162	6,577	4,240	345	2	1,670
Florida	51,609	31,306	15,423	4,880	446	9,073
Georgia	36,455	15,807	16,536	4,112	13	5,006
Hawaii	9,057	5,562	2,555	940	2	1,922
Idaho	6,519	3,441	2,544	534	6	2,247
Illinois	65,263	41,391	18,857	5,015	65	13,941
Indiana	27,965	12,494	12,198	3,273	787	8,986
Iowa	18,351	7,568	9,517	1,266	2,411	5,906
Kansas	16,261	9,675	5,412	1,174	32	3,691
Kentucky	19,034	9,390	8,144	1,500	5	5,835
Louisiana	24,209	12,277	9,006	2,926	50	4,272
Maine	7,263	3,925	2,629	1,339	2	1,554
Maryland	30,606	20,108	8,289	2,209	5	6,280
Massachusetts	34,540	24,980	7,129	2,431	5	5,059
Michigan	48,949	26,006	18,520	4,423	8	14,313
Minnesota	30,007	13,907	12,696	3,404	2,045	6,165
Mississippi	11,687	5,846	4,602	1,239	3	2,600
Missouri	35,542	20,538	12,331	2,673	972	8,226
Montana	5,342	2,618	1,860	864	19	1,259
Nebraska	12,171	6,342	4,514	1,315	1,591	2,119
Nevada	4,884	2,777	1,744	363	1	1,330
New Hampshire	4,824	2,523	1,451	850	3	1,223
New Jersey	35,860	22,232	10,303	3,325	5	7,877
New Mexico	10,781	5,901	4,247	633	2	2,935
New York	101,056	63,243	26,833	10,980	17	21,009
North Carolina	43,037	24,556	12,180	6,301	722	5,777
North Dakota	6,229	2,493	2,823	913	467	1,674
Ohio	55,826	30,008	20,548	5,270	5	16,485
Oklahoma	23,093	15,309	6,382	1,402	791	3,760
Oregon	18,198	12,777	3,320	2,101	4	2,159
Pennsylvania	60,142	29,354	24,230	6,558	7	19,681
Rhode Island	9,089	6,832	1,667	590	0	1,148
South Carolina	24,213	12,011	9,764	2,438	9	4,619
South Dakota	5,588	2,079	2,975	534	741	1,829
Tennessee	27,962	14,298	11,026	2,638	105	6,023
Texas	92,986	63,354	25,250	4,382	40	17,154
Utah	10,293	6,328	3,319	646	3	2,865
Vermont	2,103	991	621	491	1	488
Virginia	36,550	20,447	12,647	3,456	59	10,203
Washington	34,776	22,094	10,501	2,181	16	6,871
West Virginia	10,059	4,831	3,468	1,760	1	2,327
Wisconsin	28,276	15,898	9,369	3,009	610	6,856
Wyoming	2,842	1,503	998	341	29	807
Outside U.S. total	13,234	8,374	4,559	301	1	601
Puerto Rico	10,300	6,529	3,577	194	1	194

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[1] Included in other schools.

[2] Included in other schools and colleges.

ATTACHMENT 11

ADJUDICATION—EDUCATION ACTIVITY—COMPLIANCE SURVEYS, FACILITIES SURVEYED (SUMMARY FOR PERIOD ENDING JUNE 30, 1973)

Station	Number performed								Number with discrepancies							
	IHL		BCL			OJT			IHL		BCL			OJT		
	Degree (A)	Non degree (B)	Flight (C)	Other research (D)	Correspondence or correspondence/research (E)	Apprentice (F)	OOJT (G)	Total (H)	Degree (I)	Non-degree (J)	Flight (K)	Other research (L)	Correspondence or correspondence/research (M)	Apprentice (N)	OOJT (O)	Total (P)
Hartford, Conn		2	18	50	4	39	34	147		1	16	5	1	5	7	35
Wilmington, Del		1	5	5	1	7	8	27		1	4	3		3	4	15
Washington, D.C		6	7	17	4	6	21	61			7	3		4	4	18
Togus, Maine	1		10	6		7	27	51			5	4			3	12
Baltimore, Md	5		13	20	1	21	130	190			9	2		1	9	21
Boston, Mass			25	46	3	45	49	168			15	16		25	4	60
Manchester, N.H	1	1	10	6		9	56	83	1		5	4		7	22	39
Newark, N.J		2	20	6	7	25	58	118			10	1		15	18	44
Buffalo, N.Y		10	14	16	1	44	67	152		4	8	4	1	23	22	62
New York, N.Y		18	18	77	10	121	194	438		1	1	1		4	6	13
Pittsburgh, Pa		1	15	37		89	247	389			9	16		14	44	83
Providence, R.I			6	6	1	28	29	70			5	4	1	14	8	32
White River Junction, Vt			6	6		19	12	43			1					1
Huntington, W. Va			12	22		13	121	168			7	8		4	19	38
Area I total	7	41	179	320	32	473	1,053	2,105	1	7	102	71	3	119	170	473
Montgomery, Ala		4	30	58	1	4	78	175			16	33		1	29	79
Little Rock, Ark			15	2			50	71			6				6	12
St. Petersburg, Fla			69	5	1	2		77			60	4	1		2	67
Atlanta, Ga			26	20	2	2	103	153			18	13		1	39	71
Louisville, Ky			13					13			12					12
New Orleans, La			21	32	1	15	69	138								
Jackson, Miss		2	13	16			69	100		2	10	9			27	48
Winston Salem, N.C		1	34	15		88	123	261			16	1		24	9	50
San Juan, P.R			3	33			2	38			3		13			16
Columbia, S.C	2		11	15		17	58	103	1		6	5		3	4	19
Nashville, Tenn			18	9		13	39	79			12	2		3	7	24
Houston, Tex		10	37	38		13	82	180		1	2	2		2	5	12
Waco, Tex		3	33	40	3	8	69	156			15	12	1	1	20	49
Roanoke, Va			10	22	1	42	41	116			6	4		13	16	39
Area 2 total	2	20	337	305	9	204	783	1,660	1	3	182	85	15	48	164	498

ATTACHMENT 11—Continued

ADJUDICATION—EDUCATION ACTIVITY—COMPLIANCE SURVEYS, FACILITIES SURVEYED (SUMMARY FOR PERIOD ENDING JUNE 30, 1973)

Station	Number performed								Number with discrepancies							
	IHL		LCL			OJT			IHL		BCL			OJT		
	Degree (A)	Non-degree (B)	Flight (C)	Other research (D)	Correspondence or correspondence/research (E)	Apprentiec (F)	OOJT (G)	Total (H)	Degree (I)	Non-degree (J)	Flight (K)	Other research (L)	Correspondence or correspondence/research (M)	Apprentice (N)	OOJT (O)	Total (P)
Chicago, Ill		1	47	43	17	49	83	240			11	4		2	8	25
Indianapolis, Ind			32	14	6	10	56	118			25	8	4	8	53	98
Des Moines, Iowa		3	16	9	1	11	65	105		3	6	5		1	5	20
Wichita, Kans		1	24	2		2	20	49			11					11
Detroit, Mich		4	13	34	2	22	4	79		1	4	9		3	4	21
St. Paul, Minn			44	20	20	152	171	407			17			1	1	19
St. Louis, Mo			3	11		2	8	24			2	8			3	13
Lincoln, Nebr			29	13		4	134	180			19	4		2	87	112
Fargo, N. Dak			21	8		6	40	75			13	3		2	15	33
Cleveland, Ohio		2	47	34	10	44	128	265			12	12		7	18	49
Muskogee, Okla	1	4	22	12	2	6	97	144		1	12	5	1	2	28	49
Philadelphia, Pa			45	31		72	177	325			22	5		33	57	117
Sioux Falls, S. Dak			4	4			16	24			3	4			6	13
Milwaukee, Wis			21	9	2	108	134	274				3	1			4
Area 3 total	1	15	368	244	60	488	1, 133	2, 309		5	157	70	6	61	285	584
Juneau, Alaska			7	1		2		10			1					1
Phoeniz, Ariz			1	2	3	1	18	25				2	1		4	7
Los Angeles, Calif			41	8	13	14	12	88			12	3	4			19
San Francisco, Calif			60	31	6	88	66	251			33	5	1	21	8	68
Denver, Colo	1	18	18			16	44	97							1	1
Honolulu, Hawaii	1		3	2			1	7			3	2				5
Boise, Idaho			10	2		11	13	36								
Fort Harrison, Mont			16	6		22	38	82			10	1		12	26	49
Reno, Ne			4	2		4	5	15			1	1		2	1	5
Albuquerque, N. Mex		1	5	11		3	10	30			2	5		1	2	10
Portland, Oreg	2		20	30	2	17	14	85			4	4			2	10
Manila, Philippines	46			20				66	21			8				29
Salt Lake City, Utah			6	3	1	9	8	27			3			1	1	5
Seattle, Wash		2	13	14	4	1		34			10	7				17
Cheyenne, Wyo			8			3	6	17			3				1	4
Area 4 total	50	21	212	132	29	191	235	870	21		82	38	6	37	46	230
Total	60	97	1, 096	1, 001	130	1, 356	3, 204	6, 944	23	15	523	264	30	265	665	1, 785

ATTACHMENT 12

ADJUDICATION EDUCATION ACTIVITY, COMPLIANCE SURVEY OF SCHOOLS—CASES REFERRED, SUMMARY FOR PERIOD ENDING DEC. 31, 1973

Station	To approving agency		To Committee on Educational Allowances			
					Benefits discontinued approval criteria	
	Number referred (A)	Number of courses disapproved (B)	Number referred (C)	Number disposed of (D)	Involved (E)	Not involved (F)
Hartford, Conn	2					
Togus, Maine	1	1				
Boston, Mass	13					
Newark, N.J	46	1	1			
Buffalo, N.Y	33					
New York, N.Y	6		1			
Pittsburgh, Pa	6					
Providence, R.I	13	4				
Area 1 total	120	6	2			
Montgomery, Ala	20	2	1	1	1	
St. Petersburg, Fla	19	15				
Altanta, Ga	17	4				
New Orleans, La	7					
Jackson, Miss	11					
Winston-Salem, N.C	1					
Columbia, S.C	11					
Nashville, Tenn	6					
Houston, Tex	11	5				
Waco, Tex	21					
Roanoke, Va	18					
Huntington, W. Va	4					
Area 2 total	146	26	1	1	1	

ATTACHMENT 13

ADJUDICATION—EDUCATION ACTIVITY—COMPLIANCE SURVEYS, FACILITIES SURVEYED (SUMMARY FOR PERIOD ENDING DEC. 31, 1973)

Station	Number performed								Number with discrepancies							
	IHL		BCL			OJT			IHL		BCL			OJT		
	Degree (A)	Non-degree (B)	Flight (C)	Other research (D)	Correspondence or correspondence/research (E)	Apprentice (F)	OOJT (G)	Total (H)	Degree (I)	Non-degree (J)	Flight (K)	Other research (L)	Correspondence or correspondence/research (M)	Apprentice (N)	OOJT (O)	Total (P)
Hartford, Conn						31	11	42						1	1	2
Wilmington, Del						1		1						1		1
Togus, Maine			1			4	22	27			1				2	3
Boston, Mass	1		5	4		46	12	68	1					16	4	21
Manchester, N.H	1			2		3	54	60						2	14	16
Newark, N.J		1	18	19	5	38	48	129		1	11	10	1	25	22	70
Buffalo, N.Y	1	10	9	13	1	62	66	162		1	4	2		21	21	49
New York, N.Y	1		8	24	4	20	37	94			3			2	2	7
Pittsburgh, Pa		3	1	11		54	4	73		1	1	8		11	5	26
San Juan, P.R			2	19			6	27								
Providence, R.I			2	10		14	25	51								
White River Junction, Vt			1	1		14	9	25						1		1
Total, area 1	4	14	47	103	10	287	294	759	1	3	20	20	1	80	71	196
Montgomery, Ala			7	40		4	109	160			3	16		1	10	30
Little Rock, Ark			1	2			10	13			1				2	3
St. Petersburg, Fla			21			1		22			21			1		22
Atlanta, Ga		2	11	2	1	3	126	145		1	2		1		15	19
New Orleans, La			13	29		8	118	168								
Jackson, Miss			11				50	61			5				17	22
Winston-Salem, N.C		1	11	2		6	11	31			1					1
Columbia, S.C			4	8		9	32	53			1	3		1	9	14
Nashville, Tenn			3	3	1	15	33	55			1	1		1	4	7
Houston, Tex		3	25	21		6	99	154			7	1		1	9	18
Waco, Tex			38	30		14	72	154			20	9		6	10	45
Roanoke, Va			12	10		35	18	75			10	6		18	3	37
Huntington, W. Va			1			1	37	39			1				4	5
Total, area 2		6	158	147	2	102	715	1,130		1	73	36	1	29	83	223

ATTACHMENT 14

ADJUDICATION EDUCATION ACTIVITY (SUMMARY FOR PERIOD ENDING JUNE 30, 1973)

COMPLIANCE SURVEY OF SCHOOLS—CASES REFERRED

	To approving agency		To committee on educational allowances		Benefits discontinued approval criteria	
Station	Number referred A	Number of courses disapproved B	Number referred C	Number disposed of D	Involved F	Not involved G
Hartford, Conn	28					
Wilmington, Del	2					
Washington, D.C	8	5				
Togus, Maine	3	1				
Baltimore, Md	11					
Boston, Mass	28					
Manchester, N.H	32	1	1			
Newark, N.J	33					
Buffalo, N.Y	36					
New York, N.Y	13					
Pittsburgh, Pa	10	3				
Providence, R.I	18	1				
Huntington, W. Va	38					
Area 1 total	260	11	1			
Montgomery, Ala	53	10	1			
Little Rock Ark	4					
St. Petersburg, Fla	57	1				
Atlanta, Ga	53	6				
Louisville, Ky	11					
New Orleans, La	23	8	1			
Jackson, Miss	18	5				
Winston-Salem, N.C	50					
San Juan, P.R	16					
Columbia, S.C	30	3				
Nashville, Tenn	9					
Houston, Tex	12					
Wacc, Tex	23					
Roanoke, Va	17	1				
Area 2 total	376	34	2			
Chicago, Ill	9					
Indianapolis, Ind	84	4				
Des Moines, Iowa	7	1				
St. Paul, Minn	19	14		1		1
St. Louis, Mo	9	1				
Lincoln, Nebr	110	2				
Fargo, N. Dak	19	1	1	1	1	
Cleveland, Ohio	32					
Muskogee, Okla	16			6	6	
Philadelphia, Pa	115	2				
Sioux Falls, S. Dak	7					
Milwaukee, Wis	2					
Area 3 total	429	25	1	8	7	1
Phoenix, Ariz	7	3				
Los Angeles, Calif	10					
San Francisco, Calif	32	1				
Honolulu, Hawaii	4					
Fort Harrison, Mont	14	4				
Reno, Nev	3					
Albuquerque, N. Mex	8					
Portland, Oreg	9					
Manila, Philippines				2	2	
Salt Lake City, Utah	4	1	1			
Seattle, Wash	8	5				
Cheyenne, Wyo	3					
Area 4 total	102	14	1	2	2	
Total	1,167	84	5	10	9	1

ATTACHMENT 15

ADJUDICATION—EDUCATION ACTIVITY—COMPLIANCE SURVEYS, FACILITIES SURVEYED (SUMMARY FOR PERIOD ENDING DEC. 31, 1973)

Station	Number performed								Number with discrepancies							
	IHL		BCL			OJT			IHL		BCL			OJT		
	Degree (A)	Non-degree (B)	Flight (C)	Other research (D)	Correspondence or correspondence/research (E)	Apprentice (F)	OOJT (G)	Total (H)	Degree (I)	Non-degree (J)	Flight (K)	Other research (L)	Correspondence or correspondence/research (M)	Apprentice (N)	OOJT (O)	Total (P)
Chicago, Ill.			15	17		23	46	101						2	4	6
Indianapolis, Ind			18	10	3	9	40	80			9	6	2	9	26	52
Des Moines, Iowa			14	5		4	45	68			4	1			3	8
Wichita, Kans			7	9		3	14	33			2	4		1		7
Detroit, Mich	3	12	18	10	3	11	18	75			10	2	3		5	20
St. Paul, Minn			22	12		4	78	116			5			2	7	14
St. Louis, Mo			16	6			3	25			10	5			3	18
Lincoln, Nebr			16	9		1	63	89			16	7			22	45
Fargo, N. Dak	1		2	1		3	19	26	1		2	1			11	15
Cleveland, Ohio		6	44	30	10	43	135	268			15	8		12	28	63
Muskogee, Okla			15	17		5	57	94			4	1			6	11
Philadelphia, Pa			14	8	1	35	33	91			7			10	12	29
Sioux Falls, S. Dak			6	7		2	27	42			4	6			8	18
Milwaukee, Wis			2	6	1	121	120	250								
Area 3 total	4	18	209	147	18	264	698	1,358	1		88	41	5	36	135	306
Juneau, Alaska			5	1				6								
Phoenix, Ariz				1			19	20							9	9
Los Angeles, Calif			3	1				4			1					1
San Francisco, Calif		2	30	21	3	72	31	159		1	19	3	1	11	6	41
Denver, Colo	2		5	8	1	8	11	35							2	2
Honolulu, Hawaii	1					4		5								
Boise, Idaho			8	2		4	9	23			3				1	4
Reno, Nev			1					1								
Albuquerque, N. Mex			17	5		2	18	42			4	1		1	5	11
Portland, Oreg			10	17	2	9	15	53			4	2		1		7
Manila, Philippines	23			11				34	11			3				14
Salt Lake City, Utah		4	6	3		13	11	37			5	1		2		8
Seattle, Wash			24	1				25			7	1				8
Area 4 total	26	6	109	71	6	112	114	444	11	1	43	11	1	15	23	105
Total	34	44	523	466	36	765	1,821	3,691	13	5	224	108	8	160	312	830

ATTACHMENT 16

ADJUDICATION—EDUCATION ACTIVITY—COMPLIANCE SURVEY OF SCHOOLS, CASES REFERRED (SUMMARY FOR PERIOD ENDING DEC. 31, 1973)

Station	To approving agency: Number referred (A)	To approving agency: Number of courses disapproved (B)	To committee on educational allowances: Number referred (C)	To committee on educational allowances: Number disposed of (D)	Benefits discontinued—approval criteria: Involved (E)	Benefits discontinued—approval criteria: Not involved (F)
Indianapolis, Ind	52	7				
Des Moines, Iowa	3	1				
Wichita, Kans	1					
St. Paul, Minn	3					
St. Louis, Mo	18					
Lincoln, Nebr	43	4				
Fargo, N. Dak	6					
Cleveland, Ohio	31	3				
Muskogee, Okla	3	1				
Philadelphia, Pa			1	1		1
Sioux Falls, S. Dak	11	1				
Area 3 total	171	17	1	1		1
Phoenix, Ariz	9					
San Francisco, Calif	27					
Denver, Colo	2					
Boise, Idaho	3		1	1		1
Albuquerque, N. Mex	10					
Portland, Oreg	2					
Salt Lake City, Utah	3					
Seattle, Wash	6	11				
Area 4 total	62	11	1	1		1
Total	499	60	5	3	1	2

Mr. HICKS. The subcommittee is now adjourned.

[Whereupon, at 11:25 a.m., the subcommittee adjourned, to reconvene subject to the call of the Chair.]

APPENDIX

Correspondence Concerning Use of Proprietary Schools for Training by the Bureau of Indian Affairs

Vocational Education,
July 11, 1974.

Mr. Morris Thompson,
Commissioner, Bureau of Indian Affairs, Department of the Interior, Washington, D.C.

Dear Mr. Thompson: The Special Studies Subcommittee has been conducting an inquiry into proprietary vocational schools and has scheduled hearings on this subject during the period of July 16 through July 24, 1974.

We are interested in obtaining information about the Bureau's experience in using vocational schools to carry out its training objectives. The Secretary is authorized by 25 U.S.C., sec. 309, to enter into contracts with "any private school which has a recognized reputation in the field of vocational education and has successfully obtained employment for its graduates in their respective fields of training . . ." In 25 C.F.R., sec. 34.5(c), this provision is reiterated as follows: "It is determined that there is reasonable certainty of employment for graduates of the institution in their respective fields of training." This placement provision is of special interest to the subcommittee. Rather than request the Bureau to appear to testify, your brief answers to the following questions would be adequate for our purpose.

1. Has the Bureau been able to devise a practical way of determining whether there is "reasonable certainty of employment?" If so, what criteria are used?

2. How does a vocational school comply with the requirement of showing that a reasonable number of its graduates obtain employment.

Have schools encountered serious problems in obtaining data?

3. We have been advised that if a course meets the above requirement, it is placed on the approved list, thereafter, verified annually. How does the Bureau conduct these verifications?

4. Under what conditions will the Bureau drop a course from the eligible list?

5. Are there instances where the Bureau places students in private vocational schools in preference to a public vocational school offering the same courses?

In our examination of other witnesses, the Subcommittee may find it useful to refer to your answers. An early reply would therefore be appreciated.

Sincerely yours,

Floyd V. Hicks, *Chairman.*

July 19, 1974.

Hon. Floyd V. Hicks,
House of Representatives,
Washington, D.C.

Dear Mr. Hicks: In response to your letter of July 11, 1974, relative to the Bureau of Indian Affairs' experience with preprietary vocational schools, the following information is offered:

1. The approval of courses must meet the criteria as established in 25 CFR, Sec. 34.5. The reasonable certainty of employment is determined prior to approval of course at privately operated institutions by establishing proof of placement as recorded for their graduates. Spot checks are made by the BIA employee assigned to approve the course with employers listed as to their experience with the school's graduates. Special attention is devoted to the school's

placement record for minorities—especially the American Indian. The capabilities of the school's placement officer are also carefully evaluated.

Other criteria used for approval of courses include length of course, cost of the course, educational requirements for entrance into course, accessibility for furnishing services to participating trainees; availability of housing near training facility; interest of faculty in assigning Indian people; and equipment and curriculum with regard to recent or modern design and usage.

2. As mentioned in (1) above, a verified employment graduate placement record is required of the school. Based on normal expectations of completion of training, a general percentage factor of 70% placement by the school is a general measuring stick that is used by our field installations who approve the courses at the vocational schools. Some schools have not kept adequate placement records and have not followed up sufficiently with the Public Law-959 trainees. Where such instances occur, they are noted by the responsible approving office and are taken into consideration during their annual evaluation. There generally is a very close relationship established between the approving office and the school who has approved BIA courses, so that placement data is usually available within a reasonable period of completion of the trainee.

3. For your information, we are enclosing an approved list of our most recent consolidated publication of PL-959 approved courses. Since this publication was printed, other courses have been deleted and added. Each training destination is responsible for the evaluation of every course approved within its jurisdiction at least once during the fiscal year. Form 5-661, Adult Vocational Training Evaluation has been provided for this purpose (see enclosed).

4. Approved courses are cancelled or discontinued primarily based on the lack of an adequate employment placement record of the school for Indian PL-959 trainees. The determination for this adequacy for reasonable certainty of employment can be made by the evaluation referred to in (3) above. As training facilities and courses which represent an improvement over present courses are located, other previously approved courses not serving the best interest of the activity will be recommended for discontinuance.

5. Yes, there are instances where private schools are used instead of public schools. One of the advantages of approving courses at private institutions is that their year-round schedule enables the trainee to be enrolled at any time. This arrangement makes it more desirable and economical to approve courses at private institutions in preference to using the public facility. Each training destination establishes within its locality those courses which offer the best training and most *productive employment opportunities* upon completion of such training.

We hope that the information contained herein will be of assistance and useful to your Subcommittee hearings.

Sincerely yours,

CLARENCE ANTIOQUIA,
Acting Deputy Commissioner of Indian Affairs.